

# CHAYO GROUP CHAYO TB

THAILAND / FINANCIALS - MAI

**HOLD**

FROM BUY

## กำไร 1Q24 สะดุดจาก ECL พิเศษ

- CHAYO รายงานกำไรสุทธิ 1Q24 เพียง 3 ลบ. โดยมีปัจจัยกดดันจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) พิเศษจำนวนมาก
- เราปรับลดประมาณการกำไรสุทธิปี 2024 ลง 27.2% เพื่อสะท้อน ECL พิเศษและปรับลดประมาณการกำไรสุทธิปี 2025-26 ลง 3.0% จากสมมติฐานการเก็บเงินสดที่ลดลง
- เราปรับลดคำแนะนำเป็นถือหลังลดราคาเป้าหมายปี 2024 ลงเหลือ 4.2 บาท

TARGET PRICE	THB4.20
CLOSE	THB3.94
UP/DOWNSIDE	+6.6%
PRIOR TP	THB6.00
CHANGE IN TP	-30.0%
TP vs CONSENSUS	-28.8%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	570	561	759	876
Net profit	391	291	451	527
EPS (THB)	0.34	0.26	0.40	0.46
vs Consensus (%)	-	(29.3)	2.6	(4.2)
Recurring net profit	391	291	451	527
Core EPS (THB)	0.34	0.26	0.40	0.46
Chg. In EPS est. (%)	-	(27.2)	(2.9)	(2.9)
EPS growth (%)	45.5	(25.7)	55.1	17.0
Core P/E (x)	11.5	15.4	9.9	8.5
Dividend yield (%)	-	1.7	1.5	1.8
Price/book (x)	1.3	1.2	1.0	0.9
ROE (%)	12.4	8.1	11.1	11.3
ROA (%)	5.4	4.4	5.2	5.3

## กำไร 1Q24 ที่น่าผิดหวังได้รับปัจจัยกดดันจาก ECL พิเศษ

CHAYO สร้างความประหลาดใจให้กับตลาดด้วยกำไรสุทธิ 1Q24 ที่ลดลงอย่างมีนัยสำคัญ กำไรดังกล่าวซึ่งอยู่ที่เพียง 3 ลบ. (-97% q-q และ y-y) ได้รับผลกระทบหลักจาก ECL พิเศษจำนวน 130 ลบ. อันประกอบด้วยการประเมินสิทธิเรียกร้องจากพอร์ตหนี้ที่ด้อยคุณภาพ (NPL) ขนาดใหญ่ (80 ลบ.) และกระแสเงินสดที่คาดว่าจะลดลงจากบัญชีลูกหนี้สินเชื่อเช่าซื้อมูลค่ารวม 3-4 พัน ลบ. (50 ลบ.) ตามคำสั่งศาล เมื่อหักรายการพิเศษ กำไรสุทธิหน้าจะอยู่ที่ 107 ลบ. ลดลง 10.8% q-q จากฐานที่สูงใน 4Q23 จากกำไรจากสินทรัพย์ด้อยคุณภาพ (NPA) ขนาดใหญ่แต่ยังโตเล็กน้อยที่ 3.0% y-y ต้นทุนในการกู้ยืมลดลงเหลือ 6.18% จาก 6.81% ใน 4Q23 เนื่องจาก CHAYO ออกหุ้นกู้มูลค่า 622 ลบ. ณ สิ้นงวด

## การเก็บเงินสดอยู่ในเกณฑ์ดีใน 1Q24 แต่แนวโน้มจะอ่อนตัวลงใน 2Q24

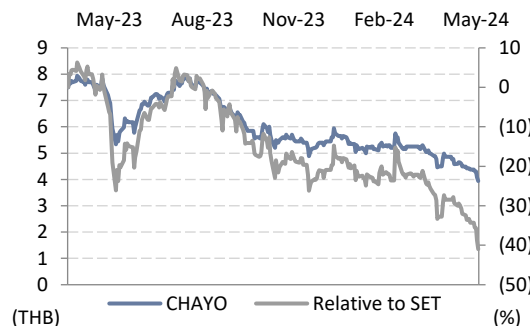
ใน 1Q24 การเก็บเงินสดจากหนี้ด้อยคุณภาพโตอย่างสม่ำเสมอไปแตะ 142 ลบ. (+4.0% q-q, +35.1% y-y) ตัวเลขดังกล่าวสูงกว่าเป้าหมายการของผู้บริหารที่ 100-130 ลบ. ต่อไตรมาสและคิดเป็น 33% ของประมาณการปี 2024 ของเรา การเติบโตส่วนมากเกิดจากการซื้อสินเชื่อเพิ่มเติมโดยเฉพาะอย่างยิ่งในช่วง 2H23 ส่วนมากเป็นสินเชื่อประเภทไม่มีหลักทรัพย์ค้ำประกัน (สินเชื่อบัตรเครดิตและสินเชื่อส่วนบุคคล) นอกจากนี้บริษัท ยังขาย NPL จำนวน 5 ลบ. ใน 1Q24

## ปรับลดประมาณการปี 2024-26 เพื่อสะท้อน ECL พิเศษ

จากการบันทึก ECL พิเศษใน 1Q24 เราปรับลดประมาณการกำไรสุทธิปี 2024 ของเราลง 27.2% ในขณะเดียวกันเราคาดว่าจะกระทบต่อพอร์ตบัญชีลูกหนี้เช่าซื้อที่กล่าวไว้ก่อนหน้านี้จะทำให้ประมาณการเก็บเงินสดปี 2024-26 ของเราลดลง 15 ลบ. ต่อปีบนสมมติฐานระยะเวลาเท่าทุนเฉลี่ยที่ 3 ปีซึ่งทำให้ประมาณการเก็บเงินสดลดลง 3.0% และประมาณการกำไรสุทธิปี 2025-26 ลดลง 3.0% ประมาณการมูลค่าทางบัญชีต่อหุ้นปี 2024-26 ลดลงจาก 3.64-4.66 บาทเป็น 3.59-4.61 บาทในขณะที่ผลตอบแทนเมื่อเทียบกับส่วนผู้ถือหุ้นลดลงจาก 8.43-8.69% เป็น 6.12-8.39%

## ปรับลดคำแนะนำเป็นถือหลังลดราคาเป้าหมายเป็น 4.2 บาท

เราคาดว่ากำไรสุทธิ 1Q24 ที่ลดลงเกินคาดจะส่งผลกระทบต่อราคาหุ้นในระยะสั้น อย่างไรก็ตาม เราเชื่อว่าเหตุการณ์ดังกล่าวจะไม่เกิดขึ้นอีกใน 2Q-4Q24 เราปรับลดคำแนะนำเป็นถือจากซื้อ ราคาเป้าหมายใหม่ของเราที่ 4.2 บาท (GGM) มี Upside จำกัดโดยคิดเป็นค่า P/BV ที่ลดลงเหลือ 1.20x (จาก 1.67x) ภายใต้สมมติฐานค่า LT ROE ที่ 9.6% และ COE ที่ 9.4% (จาก LT ROE ที่ 10.0% และ COE ที่ 9.2%) เมื่อวันที่ 10 พ.ค. บริษัทฯ ประกาศจ่ายเงินปันผลจากกำไรสะสมเป็นจำนวน 0.035 บาท/หุ้นคิดเป็นผลตอบแทนในรูปเงินปันผลที่ 0.90% เมื่อเทียบกับราคาปัจจุบัน



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(20.9)	(23.5)	(50.1)
Relative to country (%)	(18.8)	(22.6)	(42.9)
Mkt cap (USD m)			122
3m avg. daily turnover (USD m)			0.5
Free float (%)			21
Major shareholder			Yasasin Family (33%)
12m high/low (THB)			8.28/3.90
Issued shares (m)			1,137

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 13 พฤษภาคม 2024

### Investment thesis

We have a HOLD recommendation for CHAYO over:

- 1) A Heavy one-time ECL worth THB130m in total in 1Q24 due to the re-evaluation of its right of claim from a large NPL receivable and lower cash flow from certain hire purchase (HP) car portfolios, following a court order.
- 2) We lower our 2024E net profit by 27.2% to reflect the extra ECL, while we lower our 2024-26E cash collection by THB15m p.a. due to the troubling HP car portfolios, leading to a 2025-26E net profit cut of 3.0%.
- 3) Our new GGM-based TP of THB4.2 (from THB6.0) offers a limited upside to the current share price, implying a P/BV ratio of 1.20x (from 1.67x) at LT ROE of 9.6% and COE of 9.4% (from LT ROE of 10.0% and COE of 9.2%). Therefore, we downgrade our recommendation to HOLD from Buy.

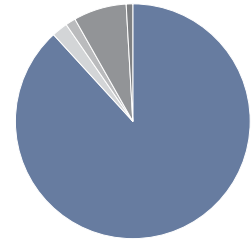
### Company profile

CHAYO provides services relating to debt collection, managing non-performing assets from purchases, transferring secured and non-secured non-performing assets from financial institutions and credit facility companies, providing call centre services, loans, and selling goods and/or providing services.

[www.chayo555.com](http://www.chayo555.com)

### Principal activities (revenue, 1Q24)

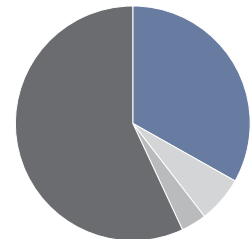
- NPLs management - 88.2 %
- NPAs management - 2.2 %
- Debt collection - 1.4 %
- Loan business - 7.3 %
- Other income - 2.8 %



Source: Chayo Group

### Major shareholders

- Yasasin Family - 33.2 %
- Sereewattana Family - 6.4 %
- Boonmeechot Family - 3.5 %
- Others - 57.0 %



Source: Chayo Group

### Catalysts

- Higher-than-expected cash collection from invested NPLs;
- Higher-than-expected growth in loan underwritings;
- Lower-than-expected operating expenses;
- Lower-than-expected cost of funds.

### Risks to our call

Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses. Upside risks include 1) better-than-expected cash collection performance and lower pressure from ECL; 2) stronger-than-expected loan growth; and 3) better cost control than expected.

### Event calendar

Date	Event
15 May 2024	1Q24 opportunity day
Jul 2024	2Q24 results announcement

### Key assumptions

	2024E	2025E	2026E
Net profit (THB m)	291	451	527
Net profit growth (y-y %)	(25.7)	55.1	17.0
Cash collection	444	503	568
Cash collection growth (y-y %)	1.1	13.2	12.9
Credit cost (bp)	746	541	506
Investment in receivables	1,000	1,050	1,103
Cost to income	28.00	27.76	27.82

Source: FSSIA estimates

### Earnings sensitivity

		2024E		
Cash collection ratio	±10bp	5.19	5.29	5.39
% change in net profit		(1.5)		1.5
Cost to income	±1ppt	27.00	28.00	29.00
% change in net profit		3.0		(3.0)

Source: FSSIA estimates

## Disappointing 1Q24 profit weighed by heavy one-time ECL expense

CHAYO surprised the market with a significant drop in 1Q24 net profit, which stood at THB3m; a decrease of 97% on both a q-q and y-y basis. The impact was primarily due to the one-time ECL expense of THB130m, comprising the re-evaluation of its right of claim from a large NPL portfolio (THB80m) and a reduction in expected cash flow from certain HP receivables totaling cTHB3b-4b (THB50m) following a court order.

Excluding the extra item, the net profit should have finished at THB107m, declining 10.8% q-q, as 4Q23 was a high base from a gain on a large NPA, and retained moderate 3.0% y-y growth. The cost of funds was lower at 6.18% from 6.81% in 4Q23 as CHAYO issued debentures worth THB622m at the end of the period.

CCAP's loans grew only slightly q-q by 2.7%, with 63.1% y-y growth compared to our 2024E of 35% y-y and management's new underwriting target of THB600m-1,000m, which implies a targeted growth rate of 50-90% y-y. However, with CCAP's IPO expected to occur between 3Q and 4Q24, we do not expect it to show outstanding growth in 1H24.

CCAP's asset quality showed less pressure at an NPL ratio of 37%, down from 46% in 4Q23, while the coverage ratio stayed at a low level of 4%. The high NPL ratio compared to the typical lending business model was due to its low-LTV lending strategy (c40-50%). However, as per our conservative forecast, we expect the business to have credit costs of 1.2% p.a. to cover the impairment and depreciation of collateral in the case where asset foreclosures of NPLs take an average of 24 months.

### Exhibit 1: CHAYO – 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 %)	24E	(THB m)	(THB m)	(y-y %)
<b>Interest income</b>											
Interest income from debt management	317	311	335	405	444	9.6	40.2	26	1,369	1,721	25.7
Interest income from loans	21	26	28	31	37	19.4	74.2	21	107	181	69.1
Total interest income	338	338	363	436	482	10.3	42.3	25	1,476	1,902	28.9
Interest expense	49	65	65	75	76	0.8	55.4	23	254	324	27.4
Net interest income	289	273	298	361	406	12.3	40.1	26	1,222	1,578	29.2
Non- interest income	20	28	26	71	22	(68.8)	9.9	24	145	92	-36.8
Gain on disposal of foreclosed assets	9	11	12	56	11	(79.8)	22.4	28	89	40	-54.4
Service income from debt collection services	9	10	9	6	7	10.6	(20.8)	23	34	31	-8.2
Recruitment service income - net	1	3	3	3	2	(12.1)	92.5	25	10	9	-6.9
Other income	1	4	3	6	1	(74.2)	78.0	13	13	11	-13.7
Total operating income	310	302	324	432	428	(1.0)	38.2	26	1,367	1,670	22.2
Operating expenses	78	87	105	119	104	(12.9)	32.4	22	390	467	19.9
Pre-provision operating profit	231	214	219	313	324	3.5	40.1	27	977	1,202	23.0
Expected credit loss	83	84	107	133	265	99.2	219.4	41	407	641	57.6
Operating profit	148	130	112	180	59	(67.2)	(60.3)	11	570	561	(1.6)
Income tax expenses	30	28	25	39	16	(58.0)	(45.0)	15	121	112	(7.5)
Profit before minority interest	118	103	87	141	42	(69.8)	(64.1)	9	449	449	(0.0)
Minority interest	14	11	11	21	39	89.1	171.8	25	58	158	174.2
<b>Net profit</b>	<b>104</b>	<b>92</b>	<b>76</b>	<b>120</b>	<b>3</b>	<b>(97.3)</b>	<b>(96.9)</b>	<b>1</b>	<b>391</b>	<b>291</b>	<b>(25.7)</b>
EPS (THB)	0.10	0.08	0.07	0.11	0.00	(97.3)	(97.1)	1	0.34	0.26	(25.7)
<b>Key financial highlights</b>											
Acquisition of loans to NPA	77	60	592	782	8	(98.9)	(89.0)	1	1,510	1,000	(33.8)
Cash collection	105	92	106	137	142	4.0	35.1	33	439	444	1.1
Accumulated cash collection to investment (%)	41	43	40	37	40				37	38	
<b>Key financial ratio</b>											
Liabilities / Equity (x)	1.11	1.07	1.07	1.17	1.28				1.17	1.09	
Interest-bearing liabilities/ equity (x)	1.04	1.00	1.00	1.09	1.19				1.09	1.01	
Net liabilities / Equity	0.55	0.58	0.76	0.94	0.94				0.94	0.86	
ROAA (%)	5.34	4.37	3.54	5.34	0.13				4.73	2.88	
ROAE (%)	10.62	9.11	7.32	11.33	0.30				9.33	5.44	
Cost of funds (%)	5.39	6.30	6.32	6.81	6.18				6.52	6.52	
Cost to income (%)	25.34	28.86	32.46	27.60	24.28				28.52	28.00	
Credit cost (%)	598	577	673	733	1339				617	764	

Sources: CHAYO; FSSIA estimates

## Solid cash collection in 1Q24, but expect a soft trend in 2Q24

The NPL cash collection for 1Q24 grew steadily, reaching THB142m, a 4.0% q-q and 35.1% y-y increase. This exceeded management's guidance of cTHB100m-130m per quarter and accounts for 33% of our 2024 forecast. The growth was largely driven by additional loan acquisitions, particularly in 2H23, primarily comprising the unsecured segment – cards and personal loans. In addition, there were cTHB5m of NPL sales in 1Q24.

Regarding the THB8m amount invested in receivables in 1Q24, CHAYO addressed the NPL supply reduction from financial institutions, particularly in unsecured loans, owing to the Bank of Thailand (BoT)'s responsible lending policy implemented since the beginning of 2024. Despite this, the company anticipates a shift in the investment dynamic towards 2H24. Thus, we maintain our 2024 investment forecast for the firm at THB1.0b.

## 2024-26E downward revisions to reflect the extra ECL

Following the extra ECL expense in 1Q24, we lower our 2024E net profit by 27.2%. Meanwhile, we estimate the effect on the HP receivable portfolios, previously mentioned, to reduce our 2024-26E cash collection by cTHB15m per year, assuming an average breakeven period of three years. This leads to a c3.0% lower cash collection estimate and a 3.0% lower 2025-26E net profit.

Regarding the 2024-26E financial position, the extra ECL is a non-cash item, and we assess that it should not significantly affect CHAYO's debt repayment ability. We expect the D/E and IBD/E ratios to remain near our previous estimates and stay within a manageable range of 1.09-1.12x and 1.01-1.06x, respectively, against covenants on both metrics of 2.0x.

As per our revisions, 2024-26E BVS drops from THB3.64-4.66 to THB3.59-4.61, while ROE reduces from 8.43-8.69% to 6.12-8.39%. Our 3Y average bottom-line growth assumption declines from 12% to 10% CAGR. For 2Q24, without an ECL drag, we expect the net profit to grow on both a q-q and y-y basis following its expansion of both the AMC and CCAP portfolios.

In addition, CHAYO disclosed that it received more traction from commercial banks during Mar-Apr 2024 for the establishment of a JV AMC, as the BoT has begun to relax rules regarding the financing of JV AMCs (the banking party of the JV is allowed to lend to the JV), paving the way for a broader investment possibility.

## Exhibit 2: 2024-26E earnings revisions

	New			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Net profit	291	451	527	399	464	543	(27.2)	(3.0)	(3.0)
Growth y-y (%)	(25.7)	55.1	17.0	2.1	16.2	17.0			
ROAA (%)	2.88	3.89	3.98	3.96	4.00	4.09			
ROAE (%)	6.12	8.13	8.39	8.43	8.42	8.69			
BVS (THB)	3.59	4.07	4.61	3.64	4.10	4.66	(1.2)	(1.0)	(1.0)
Additional investment	1,000	1,050	1,103	1,000	1,050	1,103	-	-	-
Cash collection	444	503	568	459	520	583	(3.0)	(3.0)	(3.0)
Cost of funds	6.52	6.54	6.55	6.52	6.22	6.26			
Cost to income	28.0	27.8	27.8	28.6	26.8	26.0			
ROAA (%)	2.88	3.89	3.98	3.96	4.00	4.09			
ROAE (%)	6.12	8.13	8.39	8.43	8.42	8.69			
Net debt/ Equity (x)	0.86	0.91	0.99	0.90	0.97	1.04			
D/E (x)	1.09	1.10	1.12	1.09	1.11	1.13			
IBD/E (x)	1.01	1.03	1.06	1.01	1.04	1.07			

Source: FSSIA estimates

### Downgrade to HOLD at a lower TP of THB4.2

We expect the shocking decline in 1Q24 net profit to negatively impact the share price in the short term. However, we view the incident as non-recurring going into 2Q-4Q24. Hence, we downgrade our recommendation to HOLD from Buy. Our new GGM-based TP of THB4.2 exhibits a limited upside from the current share price, implying a lower P/BV ratio of 1.20x (from 1.67x), assuming LT ROE at 9.6% and COE at 9.4% (from LT ROE at 10.0% and COE at 9.2%).

On 10 May, management announced a cash dividend payment withdrawing from its retained earnings at an amount of THB0.035 per share, implying a 0.90% dividend yield to the current share price (XD date: 31 May, payment date: 10 Jun). Accounting for the special dividend, our new 2024E dividend yield is c2% (from c1%) over a payout ratio of 26% (from 15%).

#### Exhibit 3: GGM-based 2024 TP

Gordon Growth Model	New (%)	Previous (%)
LT-ROE	9.6	10.0
Terminal growth rate	8.0	8.0
Risk-free rate	3.0	3.0
Expected market return	8.0	8.0
Market risk premium	5.0	5.0
Beta	1.3	1.2
COE	9.4	9.2
BVS (THB)	3.59	3.64
<b>PBV (x)</b>	<b>1.20</b>	<b>1.67</b>

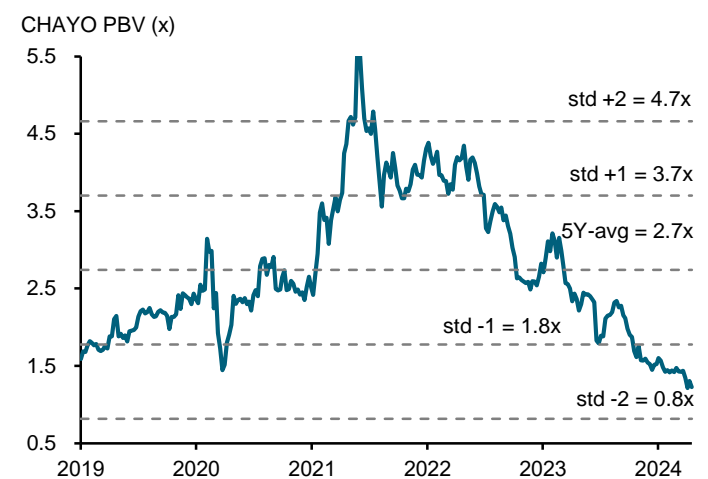
Source: FSSIA estimates

#### Exhibit 4: 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
<b>CHAYO TB</b>	<b>(18.9)</b>	<b>(25.7)</b>	<b>(24.2)</b>	<b>(49.1)</b>	<b>(27.7)</b>
SETFIN	(1.9)	(2.6)	(1.9)	(24.4)	(3.2)
SET	(1.8)	(1.4)	(1.1)	(12.1)	(3.1)

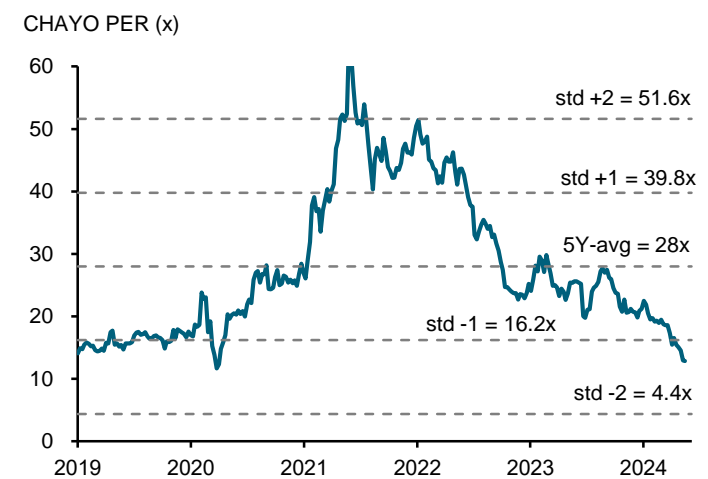
Source: Bloomberg

#### Exhibit 5: CHAYO – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

#### Exhibit 6: CHAYO – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

## Exhibit 7: Peer comparisons, as of 10 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	162.00	170.00	5	12.5	11.8	1.5	1.4	12.8	12.6	3.4	3.6
Muangthai Capital	MTC TB	BUY	48.00	50.00	4	16.2	13.0	2.7	2.3	18.1	19.0	0.6	0.7
Krungthai Card	KTC TB	HOLD	43.50	46.00	6	14.6	14.0	2.8	2.5	20.3	19.0	3.1	3.2
Srisawad Corp	SAWAD TB	HOLD	38.25	40.00	5	10.6	9.4	1.9	1.6	18.4	18.2	4.7	1.1
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
JMT Network services	JMT TB	HOLD	18.80	25.70	37	11.4	9.7	1.0	1.0	9.0	10.5	7.0	8.2
Asia Sermkij Leasing	ASK TB	HOLD	16.00	18.00	13	9.7	8.3	0.8	0.7	8.1	9.1	6.2	6.0
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	9.15	8.75	(4)	16.6	15.6	0.7	0.7	4.1	4.3	4.1	4.2
Saksiam Leasing	SAK TB	HOLD	5.25	5.28	1	13.2	11.6	1.7	1.6	13.7	14.4	2.9	1.5
<b>Chayo Group</b>	<b>CHAYO TB</b>	<b>HOLD</b>	<b>3.94</b>	<b>4.20</b>	<b>7</b>	<b>15.4</b>	<b>9.9</b>	<b>1.2</b>	<b>1.0</b>	<b>8.1</b>	<b>11.1</b>	<b>1.7</b>	<b>1.5</b>
<b>Average</b>	<b>Average</b>					<b>13.4</b>	<b>11.5</b>	<b>1.6</b>	<b>1.5</b>	<b>12.8</b>	<b>13.4</b>	<b>3.6</b>	<b>3.3</b>

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Chayo Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	963	1,476	1,902	2,069	2,322
Interest expense	(160)	(254)	(324)	(370)	(430)
Net interest income	804	1,222	1,578	1,699	1,892
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	94	145	92	105	128
Non interest income	94	145	92	105	128
Total income	897	1,367	1,670	1,804	2,020
Staff costs	-	-	-	-	-
Other operating costs	(328)	(390)	(467)	(501)	(562)
Operating costs	(328)	(390)	(467)	(501)	(562)
Pre provision operating profit	569	977	1,202	1,303	1,458
Expected credit loss	(219)	(407)	(641)	(545)	(582)
Other provisions	-	-	-	-	-
Operating profit	350	570	561	759	876
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	350	570	561	759	876
Tax	(75)	(121)	(112)	(152)	(175)
Profit after tax	275	449	449	607	701
Non-controlling interest	(23)	(58)	(158)	(156)	(174)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	252	391	291	451	527
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	252	391	291	451	527
<b>Per share (THB)</b>					
Recurring EPS *	0.24	0.34	0.26	0.40	0.46
Reported EPS	0.24	0.34	0.26	0.40	0.46
DPS	0.04	0.00	0.07	0.06	0.07
<b>Growth</b>					
Net interest income (%)	48.1	52.0	29.2	7.7	11.4
Non interest income (%)	(37.7)	55.0	(36.8)	14.8	21.6
Pre provision operating profit (%)	22.0	71.6	23.0	8.4	11.9
Operating profit (%)	21.3	62.7	(1.6)	35.3	15.5
Reported net profit (%)	5.0	55.2	(25.7)	55.1	17.0
Recurring EPS (%)	(5.3)	45.5	(25.7)	55.1	17.0
Reported EPS (%)	(5.3)	45.5	(25.7)	55.1	17.0
<b>Income Breakdown</b>					
Net interest income (%)	89.6	89.4	94.5	94.2	93.7
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	10.4	10.6	5.5	5.8	6.3
<b>Operating performance</b>					
Gross interest yield (%)	-	-	-	-	-
Cost of funds (%)	6.96	6.52	6.52	6.54	6.55
Net interest spread (%)	(6.96)	(6.52)	(6.52)	(6.54)	(6.55)
Net interest margin (%)	-	-	-	-	-
Cost/income(%)	36.5	28.5	28.0	27.8	27.8
Cost/assets(%)	5.3	4.7	4.6	4.3	4.2
Effective tax rate (%)	21.4	21.3	20.0	20.0	20.0
Dividend payout on recurring profit (%)	16.7	-	25.8	15.0	15.0
ROE (%)	9.1	12.4	8.1	11.1	11.3
ROE - COE (%)	(0.3)	3.1	(1.2)	1.7	2.0
ROA (%)	4.5	5.4	4.4	5.2	5.3
RORWA (%)	-	-	-	-	-

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

Sources: Chayo Group; FSSIA estimates



## Financial Statements

### Chayo Group

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	4,264	5,640	6,457	7,297	8,162
Allowance for expected credit loss	(485)	(878)	(1,504)	(2,029)	(2,587)
interest in suspense	1,149	2,127	2,564	3,044	3,568
<b>Net customer loans</b>	<b>4,928</b>	<b>6,889</b>	<b>7,517</b>	<b>8,312</b>	<b>9,143</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,021	623	805	665	437
Other interesting assets	24	39	41	43	45
Tangible fixed assets	78	70	73	77	80
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	1,152	1,704	2,400	3,247	4,463
<b>Total assets</b>	<b>7,203</b>	<b>9,331</b>	<b>10,835</b>	<b>12,343</b>	<b>14,168</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	3,122	4,669	5,258	6,052	7,062
Non interest bearing liabilities	231	367	384	403	422
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>3,353</b>	<b>5,036</b>	<b>5,643</b>	<b>6,455</b>	<b>7,484</b>
Share capital	533	569	569	569	569
Reserves	2,424	2,778	3,227	3,766	4,388
<b>Total equity</b>	<b>2,958</b>	<b>3,347</b>	<b>3,795</b>	<b>4,335</b>	<b>4,957</b>
Non-controlling interest	893	949	1,107	1,263	1,437
<b>Total liabilities &amp; equity</b>	<b>7,203</b>	<b>9,331</b>	<b>10,835</b>	<b>12,343</b>	<b>14,168</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	n/a	n/a	n/a	n/a	n/a
Average interest bearing liabilities	2,298	3,896	4,964	5,655	6,557
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)	n/a	n/a	n/a	n/a	n/a
<b>Per share (THB)</b>					
Book value per share	2.77	2.94	3.34	3.81	4.36
Tangible book value per share	2.77	2.94	3.34	3.81	4.36
<b>Growth</b>					
Gross customer loans	65.9	32.3	14.5	13.0	11.9
Average interest earning assets	-	-	-	-	-
Total asset (%)	41.5	29.5	16.1	13.9	14.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	41.1	35.9	35.0	35.1	35.0
Tangible equity/assets (%)	41.1	35.9	35.0	35.1	35.0
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Allowance for ECL/gross loans (%)	11.4	15.6	23.3	27.8	31.7
Allowance for ECL/NPL (%)	-	-	-	-	-
<b>Valuation</b>					
Recurring P/E (x) *	16.7	11.5	15.4	9.9	8.5
Recurring P/E @ target price (x) *	17.8	12.2	16.4	10.6	9.1
Reported P/E (x)	16.7	11.5	15.4	9.9	8.5
Dividend yield (%)	1.0	-	1.7	1.5	1.8
Price/book (x)	1.4	1.3	1.2	1.0	0.9
Price/tangible book (x)	1.4	1.3	1.2	1.0	0.9
Price/tangible book @ target price (x)	1.5	1.4	1.3	1.1	1.0

Sources: Chayo Group; 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" style="margin-top: 10px;"> <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-top: 10px;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td rowspan="3"><b>Leader:</b></td> <td rowspan="3">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> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td rowspan="3"><b>Average:</b></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><b>BB</b></td> <td>2.857-4.285</td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</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

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

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Company	Ticker	Price	Rating	Valuation & Risks
Chayo Group	CHAYO TB	THB 3.94	HOLD	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses. Upside risks include 1) better-than-expected cash collection performance and lower pressure from ECL; 2) stronger-than-expected loan growth; and 3) better cost control than expected.
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.
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.