

CHAYO GROUP CHAYO TB

THAILAND / FINANCE & SECURITIES

HOLD

UNCHANGED

Spin-off plan postponed

- The postponement of its spin-off plan for CCAP until 2H25 is due to unfavorable market conditions.
- The higher expected 2024-25 net profit contribution from CCAP could offset lower loan growth; the impact on CHAYO's net profit is limited.
- We maintain our HOLD call with a 2024 TP of THB4.20.

TARGET PRICE	THB4.20
CLOSE	THB4.02
UP/DOWNSIDE	+4.5%
PRIOR TP	THB4.20
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-6.3%

Spin-off plan for CCAP postponed

CHAYO announced a postponement of its spin-off plan for Chayo Capital (CCAP), a subsidiary (71.3%), from an IPO in 2H24 to 2H25 due to concerns over the current market conditions. In addition, the company aims to gather a more extensive portfolio of cTHB1.5b-1.6b before the next IPO schedule. However, despite a lack of IPO funding, it reaffirmed a 2024 new loan target of THB600m-1,000m, for which it would resort to bank loan funding. We assess the impact on 2024-25 loan growth as narrowing from 35% p.a. to 20% p.a. As per the effect on our forecasts, the current 2024E net profit exhibits no downside, as a higher percentage of shareholding (53.4% holding in CCAP post-IPO) would offset a lower net profit from CCAP. Meanwhile, we expect our 2025E net profit to have a limited downside of 2-3%, with no impact on 2026E as the IPO plan should have already occurred, pushing loan growth, while percentage shareholding declines to 53.4%.

2Q24 net profit to recover on account of lower ECL

We expect CHAYO's 2Q24 net profit to post a massive q-q recovery on a sharp drop in ECL expenses. As our 1Q24 results review mentioned, a large one-time ECL in 1Q24 stemmed from recognizing a lower right of claim in Yao-Yai Island, Pangnga province, and expected cash flow from specific HP portfolios. Guidance for 2Q24 cash collection is above THB120m, implying a q-q decline due to seasonality, but an increase of c30% y-y, primarily from the acquisition of not-long-overdue NPLs in 2H23. CHAYO also reaffirmed the THB1.0b-1.5b NPL acquisition target vs our estimate of THB1.0b in 2024, despite a mere THB8.4m invested in 1Q24, meaning the purchase will likely tilt towards 2H24.

Maintain 2024-26 forecasts

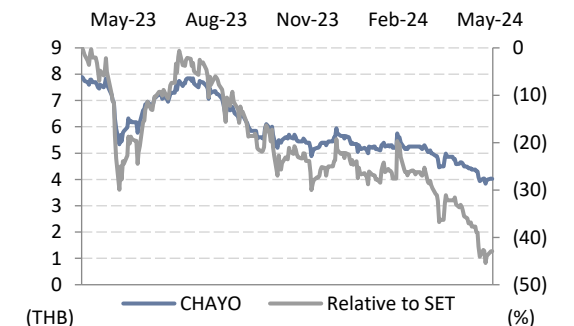
Due to the limited downside to our estimates, we maintain our 2024-26E net profit at a 10% CAGR, with crucial drivers from the growth of the AMC and lending businesses. Besides, CHAYO tends to have more fully amortized unsecured loans in May 2024, worth cTHB7.0b (c5% of total portfolio), enhancing its gain recognition in the following quarters. We have no concern over its financial position, especially as it exercised call rights on a bond in March 2024, entirely relieving it of debenture repayment obligations in 2024.

Reiterate HOLD call with 2024 TP of THB4.20

We reiterate our HOLD call on CHAYO with a GGM-based 2024 TP of THB4.20, implying a P/BV ratio of 1.20x (LT ROE = 9.6%, COE = 9.4%). We retain our negative view of the AMC industry in 2024 due to its various challenges, particularly debt collection.

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 (%)	-	(13.9)	-	2.2
Recurring net profit	391	291	451	527
Core EPS (THB)	0.34	0.26	0.40	0.46
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	45.5	(25.7)	55.1	17.0
Core P/E (x)	11.7	15.7	10.1	8.7
Dividend yield (%)	-	1.6	1.5	1.7
Price/book (x)	1.4	1.2	1.1	0.9
ROE (%)	12.4	8.1	11.1	11.3
ROA (%)	5.4	4.4	5.2	5.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(12.2)	(24.2)	(47.8)
Relative to country (%)	(14.7)	(22.9)	(42.3)
Mkt cap (USD m)	126		
3m avg. daily turnover (USD m)	0.6		
Free float (%)	21		
Major shareholder	Yasasin Family (33%)		
12m high/low (THB)	8.09/3.70		
Issued shares (m)	1,137		

Sources: Bloomberg consensus; FSSIA estimates



Usanee Liurut, CISA

Fundamental Investment Analyst on Capital Market; License no. 017928
usanee.l@fssia.com, +66 2646 9967

Maeta Cherdsatirakul

Research Assistant
maeta.c@fssia.com, +66 2646 9971

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) Our 2024-26E net profit exhibits a growth rate of 10% CAGR over an expansion in both its AMC and CCAP portfolios. For 2Q24, we expect net profit to recover q-q due to the absence of the one-time ECL expense, while investment in NPLs should accelerate in 2H24.
- 3) Our GGM-based TP of THB4.20 offers a limited upside to the current share price, implying a P/BV ratio of 1.20x at LT ROE of 9.6% and COE of 9.4%.

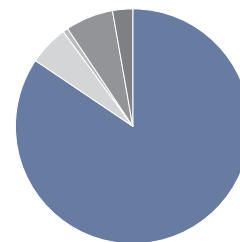
Company profile

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

Principal activities (revenue, 1Q24)

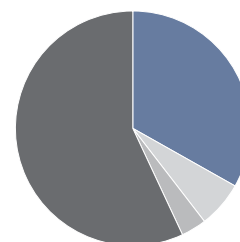
- NPLs management - 84.4 %
- NPAs management - 5.5 %
- Debt collection - 0.7 %
- Loan business - 6.6 %
- Other income - 2.8 %



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
Aug 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

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 %)
Interest income											
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
Net profit	104	92	76	120	3	(97.3)	(96.9)	1	391	291	(25.7)
EPS (THB)	0.10	0.08	0.07	0.11	0.00	(97.3)	(97.1)	1	0.34	0.26	(25.7)
Key financial highlights											
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	
Key financial ratios											
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

Exhibit 2: GGM-based 2024 TP

Gordon Growth Model	2024E
	(%)
LT-ROE	9.6
Terminal growth rate	8.0
Risk-free rate	3.0
Expected market return	8.0
Market risk premium	5.0
Beta	1.3
COE	9.4
BVS (THB)	3.59
PBV (x)	1.20

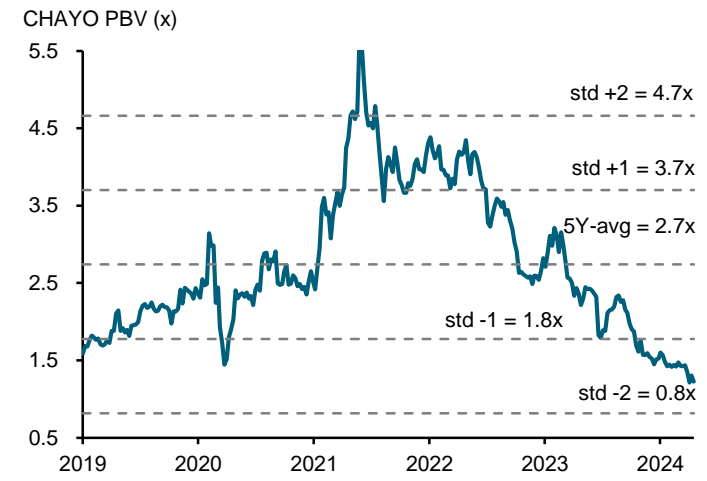
Source: FSSIA estimates

Exhibit 3: Share price performance of non-banks under coverage, as of 21 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)

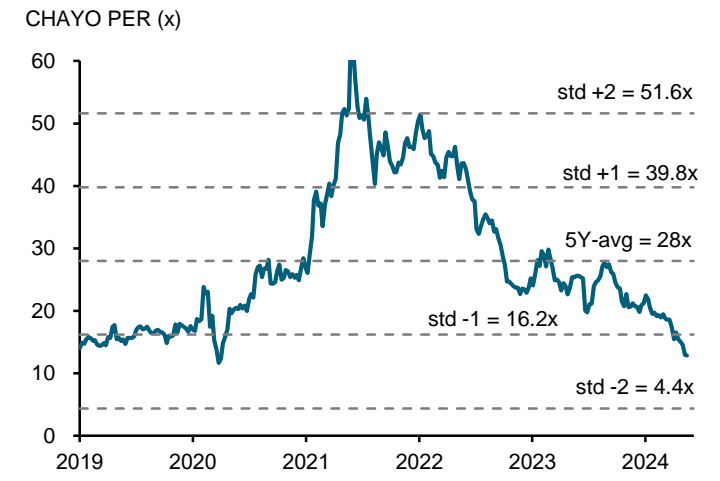
Source: Bloomberg

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



Sources: Bloomberg; FSSIA estimates

Exhibit 5: CHAYO – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 6: Peer comparisons, as of 21 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	155.50	170.00	9	12.0	11.3	1.5	1.4	12.8	12.6	3.5	3.7
Muangthai Capital	MTC TB	BUY	45.75	50.00	9	15.4	12.3	2.6	2.2	18.1	19.0	0.6	0.7
Krungthai Card	KTC TB	HOLD	43.75	46.00	5	14.7	14.1	2.8	2.6	20.3	19.0	3.1	3.2
Srisawad Corp	SAWAD TB	HOLD	41.25	40.00	(3)	11.4	10.1	2.0	1.7	18.4	18.2	1.0	1.0
Ngern Tid Lor	TIDLOR TB	BUY	20.30	27.00	33	12.7	10.7	1.8	1.6	15.4	16.2	2.4	2.8
JMT Network services	JMT TB	HOLD	17.50	19.00	9	14.7	12.5	0.9	0.9	6.5	7.4	4.1	4.8
Asia Sermkij Leasing	ASK TB	HOLD	15.30	18.00	18	9.2	8.0	0.7	0.7	8.1	9.1	6.5	6.3
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	8.70	8.75	1	15.8	14.8	0.6	0.6	4.1	4.3	4.3	4.4
Saksiam Leasing	SAK TB	HOLD	5.60	5.28	(6)	14.1	12.4	1.9	1.7	13.7	14.4	3.0	3.4
Chayo Group	CHAYO TB	HOLD	4.02	4.20	4	15.7	10.1	1.2	1.1	8.1	11.1	1.6	1.5
Average						13.6	11.6	1.6	1.4	12.5	13.1	3.3	3.2

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
Per share (THB)					
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
Growth					
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
Income Breakdown					
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
Operating performance					
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
Net customer loans	4,928	6,889	7,517	8,312	9,143
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
Total assets	7,203	9,331	10,835	12,343	14,168
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	-	-	-	-	-
Total liabilities	3,353	5,036	5,643	6,455	7,484
Share capital	533	569	569	569	569
Reserves	2,424	2,778	3,227	3,766	4,388
Total equity	2,958	3,347	3,795	4,335	4,957
Non-controlling interest	893	949	1,107	1,263	1,437
Total liabilities & equity	7,203	9,331	10,835	12,343	14,168
Supplementary items					
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
Per share (THB)					
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
Growth					
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 (%)	-	-	-	-	-
Leverage & capital measures					
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 (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
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 (%)	-	-	-	-	-
Valuation					
Recurring P/E (x) *	17.0	11.7	15.7	10.1	8.7
Recurring P/E @ target price (x) *	17.8	12.2	16.4	10.6	9.1
Reported P/E (x)	17.0	11.7	15.7	10.1	8.7
Dividend yield (%)	1.0	-	1.6	1.5	1.7
Price/book (x)	1.4	1.4	1.2	1.1	0.9
Price/tangible book (x)	1.4	1.4	1.2	1.1	0.9
Price/tangible book @ target price (x)	1.5	1.4	1.3	1.1	1.0

* Pre-exceptional, pre-goodwill and fully diluted

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 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><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></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><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></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	
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																			
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

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Securities Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSSIA makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSSIA has no intention to solicit investors to buy or sell any security in this report. In addition, FSSIA does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
Chayo Group	CHAYO TB	THB 4.02	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.
Srisawad Corp	SAWAD TB	THB 41.25	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.
Bangkok Commercial Asset Mngt.	BAM TB	THB 8.70	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 5.60	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 15.30	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 45.75	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 20.30	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 155.50	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 43.75	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 17.50	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.

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 21-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.