

# Thailand Finance Sector

## Title loans remain a crucial driver in 2024

- Despite the title loan segment continuing its growth, the 1Q24 aggregate net profits delivered a relatively flat q-q and moderate growth y-y, dragged down by the AMC profit contraction.
- The improved aggregate asset quality in 1Q24 led to a decline in its credit cost but a continued increase in its stage 2 loans, causing us to maintain our conservative 2024-25 credit cost assumptions.
- Maintain UNDERWEIGHT rating with MTC and TIDLOR as our top picks.

### Vehicle title loans continued to be a growth contributor in 1Q24

All nine finance companies under our coverage (excluding AEONTS since its 1QFY24 ends in May) demonstrated commendable stability in their net profits of THB6.77b. This figure, which remained relatively stable q-q and saw a modest increase of 4.2% y-y, accounted for 23% of our full-year net profit forecast. Notably, the truck hire-purchase lender (ASK) (3%) stood out, displaying an above-average net profit recovery q-q, followed by title loan operators (MTC, SAK, SAWAD, TIDLOR) (58%) and the credit card/personal loan provider (KTC) (27%). However, debt management players (BAM, JMT, CHAYO) (12%) faced a significant drop in their net profits q-q but a slight growth y-y.

### Improved asset quality in 1Q24; Accelerated stage 2 loans remain our caution

Asset quality improved gradually in 1Q24. Most companies saw a decline in their NPL ratio (MTC and KTC) and credit cost (MTC, TIDLOR, SAWAD, and ASK), aligning with their aggressive bad debt management and more prudent approach to asset quality rather than growth emphasis since 2023. However, stage 2 loans continued to accelerate in 1Q24 (ASK, TIDLOR, SAK, and SAWAD), leading us to have a cause for concern and maintain a conservative approach to our 2024E credit cost assumption.

### Potential upward 2024 aggregate net profit revision from SAWAD

We expect 2024-25 aggregate net profit to grow 8.9% y-y and 13.8% y-y, with one crucial contributor from vehicle title loan growth of 19.3% y-y and 19.1% y-y. Meanwhile, we expect sluggish growth in the credit card/personal loan segment at 3.5% y-y and 4.8% y-y. Regarding the truck hire-purchase segment, we expect a significant plunge in 2024 net profit at 28.2% y-y but a recovery of 15.9% y-y in 2025. The AMC segment should follow the same trend as trucks, with an expected decline in 2024 net profit at 3.2% y-y but a recovery of 15.4% y-y in 2025. Based on our current assumption, we anticipate a downward revision of JMT's 2024-25E net profit by c2.8% (from higher-than-expected ECLs) and KTC's by c1.7% (from lower-than-anticipated NII). On the contrary, we expect an upward revision of SAWAD's 2024-25E net profit by 9% since our 2024-25 ECL target is higher than the company's guidance by 60bp on average. In conclusion, we expect a 1% potential upside to our 2024-25 net profit forecast.

### Underweight rating maintained with MTC and TIDLOR as our top picks

We maintain an UNDERWEIGHT call for the finance sector on its gloomy outlook aligning with the uneven recovery of the Thai economy and the high level of household debts, leading to asset quality problems. However, we prefer vehicle title loans to other segments since their net profits tend to grow above the sector and market averages, aligning with their aggressive branch opening and improved branch efficiency. We choose MTC (TP THB50) and TIDLOR (TP THB27) as top picks mainly due to their above-average net profit growth in 2024-25E. Moreover, their current share price should offer a limited downside since they are trading below -1SD of their 3-5YR historical P/BV average.



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The Chairman of The Board of Directors of Finansia Syrus Securities PCL is also AEONTS's Director.

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PPOP followed the same trend as 1Q24 net profit. It slightly decreased q-q (due to the low season of loan demand and debt collection) but rose by 13.6% y-y (due to the loan growth momentum with a continued expansion of insurance brokerage income), amounting to THB14.8b.

### Exhibit 1: Aggregate 1Q24 net profit

	1Q24 (THB m)	4Q23 (THB m)	Change (q-q %)	1Q23 (THB m)	Change (y-y %)	2024E (THB m)	% of 24E
<b>Auto title</b>							
MTC	1,389	1,351	2.8	1,070	29.8	6,292	22
SAWAD	1,261	1,267	(0.4)	1,200	5.1	5,445	23
TIDLOR	1,104	901	22.5	955	15.6	4,671	24
SAK	195	208	(6.4)	175	11.4	831	23
<b>Total</b>	<b>3,949</b>	<b>3,727</b>	<b>6.0</b>	<b>3,401</b>	<b>16.1</b>	<b>17,239</b>	<b>23</b>
<b>Unsecured finance</b>							
KTC	1,803	1,761	2.4	1,873	(3.7)	7,674	24
<b>Total</b>	<b>1,803</b>	<b>1,761</b>	<b>2.4</b>	<b>1,873</b>	<b>(3.7)</b>	<b>7,674</b>	<b>24</b>
<b>Hire-purchase truck</b>							
ASK	174	161	7.7	403	(56.8)	875	20
<b>Total</b>	<b>174</b>	<b>161</b>	<b>7.7</b>	<b>403</b>	<b>(56.8)</b>	<b>875</b>	<b>20</b>
<b>Asset management companies</b>							
BAM	423	460	(8.0)	267	58.8	1,779	24
JMT	418	540	(22.6)	453	(7.7)	1,741	24
CHAYO	3	120	(97.3)	104	(96.9)	291	1
<b>Total</b>	<b>845</b>	<b>1,120</b>	<b>(24.6)</b>	<b>823</b>	<b>2.6</b>	<b>3,810</b>	<b>22</b>
<b>Coverage</b>	<b>6,772</b>	<b>6,770</b>	<b>0.0</b>	<b>6,499</b>	<b>4.2</b>	<b>29,598</b>	<b>23</b>

Sources: Company data; FSSIA estimates

### Exhibit 2: Aggregate 1Q24 PPOP

	1Q24 (THB m)	4Q23 (THB m)	Change (q-q %)	1Q23 (THB m)	Change (y-y %)	2024E (THB m)	% of 24E
<b>Auto title</b>							
MTC	2,870	2,963	(3.1)	2,431	18.1	12,641	23
SAWAD	2,131	2,283	(6.7)	1,853	15.0	9,745	22
TIDLOR	2,183	2,124	2.8	1,831	19.3	9,249	24
SAK	283	287	(1.2)	251	12.7	1,209	23
<b>Total</b>	<b>7,467</b>	<b>7,657</b>	<b>(2.5)</b>	<b>6,366</b>	<b>17.3</b>	<b>32,844</b>	<b>23</b>
<b>Unsecured finance</b>							
KTC	3,943	3,795	3.9	3,686	7.0	15,691	25
<b>Total</b>	<b>3,943</b>	<b>3,795</b>	<b>3.9</b>	<b>3,686</b>	<b>7.0</b>	<b>15,691</b>	<b>25</b>
<b>Hire-purchase truck</b>							
ASK	772	825	(6.4)	818	(5.6)	3,293	23
<b>Total</b>	<b>772</b>	<b>825</b>	<b>(6.4)</b>	<b>818</b>	<b>(5.6)</b>	<b>3,293</b>	<b>23</b>
<b>Asset management companies</b>							
BAM	1,618	1,568	3.2	1,310	23.5	6,526	25
JMT	718	790	(9.2)	652	10.1	2,901	25
CHAYO	324	313	3.5	231	40.1	1,202	27
<b>Total</b>	<b>2,659</b>	<b>2,671</b>	<b>(0.4)</b>	<b>2,193</b>	<b>21.3</b>	<b>10,629</b>	<b>25</b>
<b>Coverage</b>	<b>14,842</b>	<b>14,948</b>	<b>(0.7)</b>	<b>13,062</b>	<b>13.6</b>	<b>62,456</b>	<b>24</b>

Sources: Company data; FSSIA estimates

### Truck hire-purchase lender (ASK)

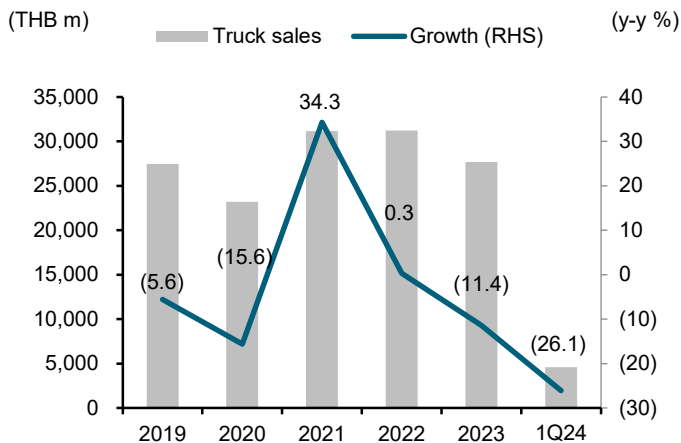
ASK posted a 1Q24 net profit of THB174m, marking a 7.7% q-q recovery following lower ECL expenses. However, it remained relatively weak, with a 56.8% y-y drop due to accelerated ECLs. Although we believe the ECLs and credit cost have already peaked since 4Q23 and will begin to show a decline in 1Q24, the overall truck market has not yet returned to normal. In particular, persistently weak demand for new trucks and the oversupply of some categories of used trucks would continue to put pressure on loans, ECLs, and credit costs for the remainder of 2024.

**Industry overview and outlook:** The domestic truck industry in Thailand is grappling with significant challenges, resulting in a sharp contraction in 1Q24 truck sales by 26.1% y-y, the most substantial decline in decades. The passenger car market also experienced a stagnant phase, decreasing by 15.3% y-y, primarily due to the economy since it was yet to recover. This slump in demand for new trucks (which represent a significant loan base for ASK and THANI (non-rated) at 42% and 49%, respectively) is due directly to their high prices compared to used trucks, which, by contrast, still shows solid momentum as customers are reluctant to replace them.

Considering demand by type, there still is solid demand in the tourism and consumer transport groups. However, demand from construction customers is under pressure due to delayed government budget disbursement. Additionally, the demand trend for trucks in 2Q24 is slow, primarily due to seasonal factors. Meanwhile, most truck lenders have a more favorable view of the passage of the 2024 government budget. It should support collection performance during mid-3Q24, especially for customers in the construction sector.

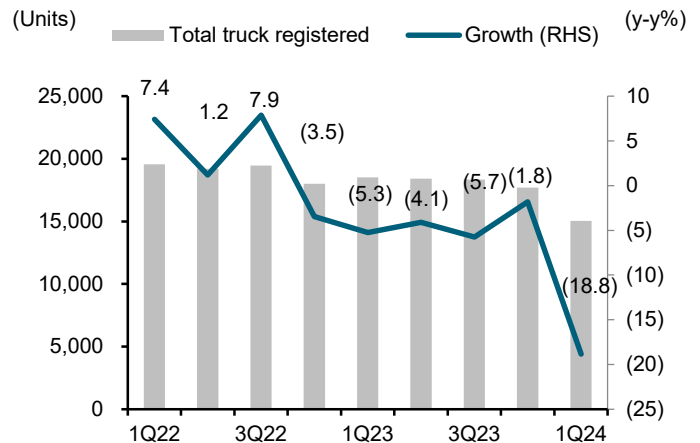
The impact of converting trucks to Euro5, initially expected in 2024, has been postponed to 2025 by big players (Isuzu and HINO) because there is still a large stock of original trucks. In addition, demand for change is sluggish because of its expensive price and high maintenance costs.

**Exhibit 3: Truck sales unit record, 2019-1Q24**

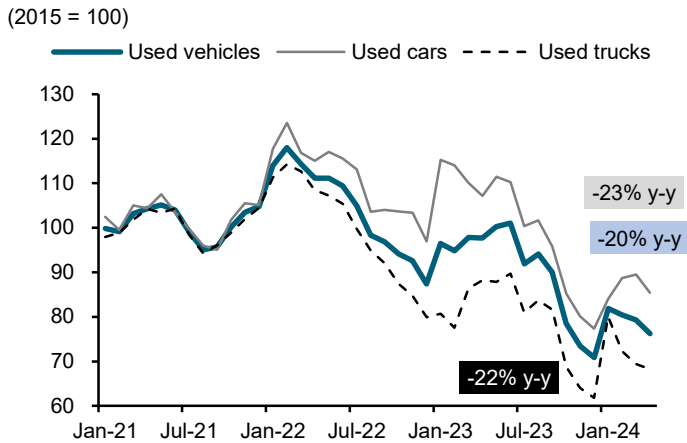


Sources: Department of Land Transport (DLT); FSSIA's compilation

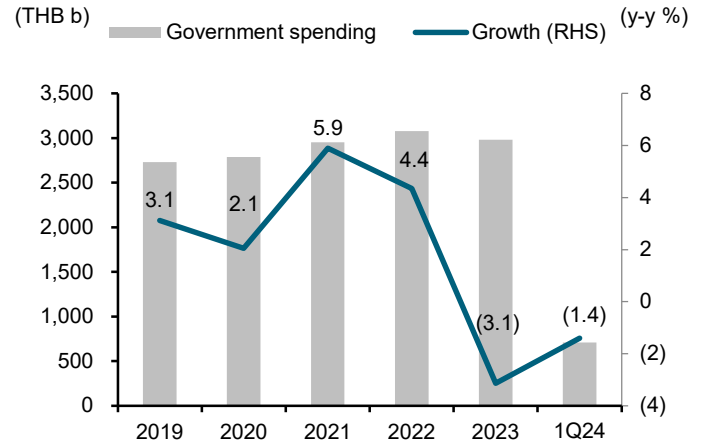
**Exhibit 4: Truck registrations, 1Q22-1Q24**



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

**Exhibit 5: Used vehicle price indices, Jan 21- Apr 24**

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

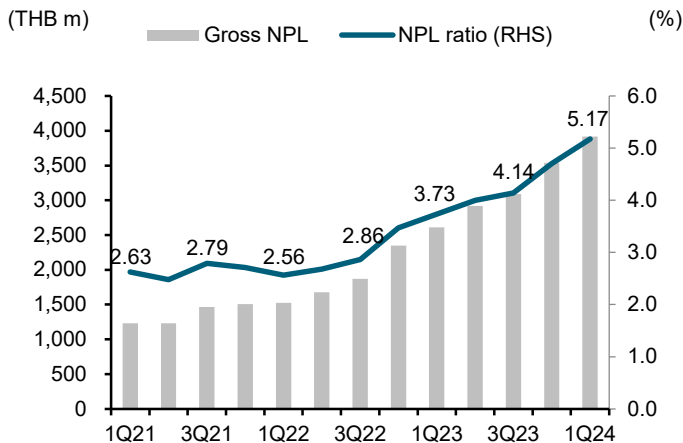
**Exhibit 6: Government spending, 2019-1Q24**

Sources: National Economic Development Council (NESDC), FSSIA's compilation

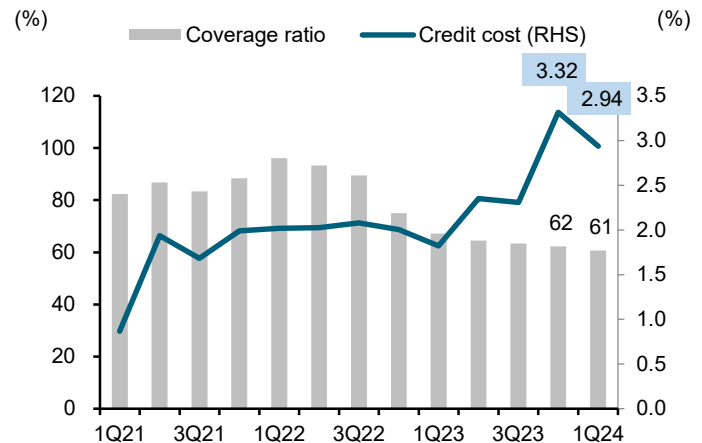
**Asset quality:** The overall asset quality in 1Q24 was a mixed bag, with some areas showing weakness but remaining manageable for both ASK and THANI (non-rated).

Regarding ASK, the NPL pressure stemmed from its aggressive loan growth strategy amid a year of low truck demand in 2023, causing it to tap into lower-quality retail and small business segments. The NPL ratio exhibited an increasing trend throughout 2023, and most stress was felt in 2H23, finishing at 4.71% by the end of 4Q23, from 3.48% at the end of 2022, marking the highest level in seven years after 5.95% in 2016. Conversely, the coverage ratio dropped from 75% in 2022 to only 62% in 2023, representing a six-year low. Meanwhile, the rising proportion of stage 2 loans, which increased from 6.8% in 2022 to 8.7% in 2023, also hints at a further formation of new NPLs in 2024. ASK has adopted a stricter lending stance since 3Q23 as a preventive measure.

The asset quality continued to deteriorate in 1Q24, with its NPL ratio climbing to 5.17%, particularly from the HP receivable segment (91%), while title loans (9%) were relatively stable. The rising figure 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 a high credit cost of 2.94% (including THB25m of management overlay), declining from 3.32% in 4Q23 (including THB100m 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 higher NPLs from the vintage loans granted during 2021-22 despite its prudent new loan quality in 2023.

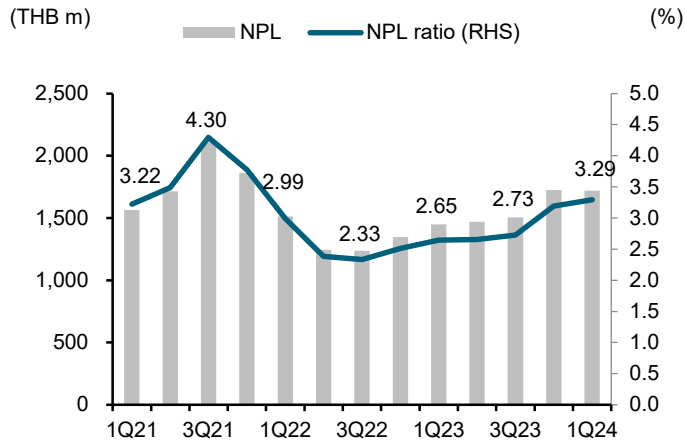
**Exhibit 7: ASK – NPL and NPL ratio, 1Q21-1Q24**

Sources: ASK; FSSIA's compilation

**Exhibit 8: ASK – Credit costs and coverage ratio, 1Q21-1Q24**

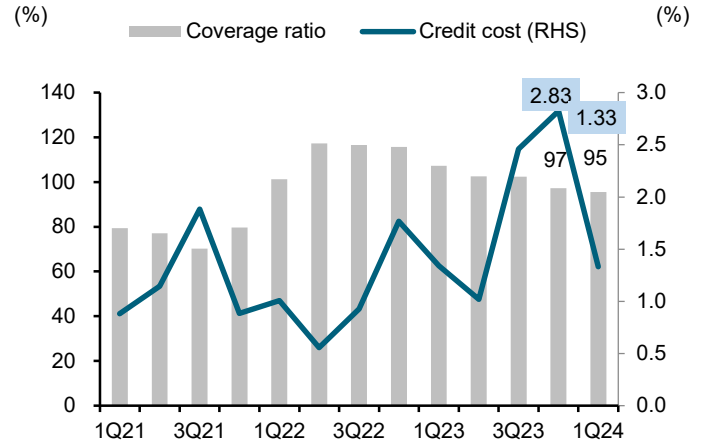
Sources: ASK; FSSIA's compilation

Exhibit 9: THANI – NPL and NPL ratio, 1Q21-1Q24



Sources: THANI; FSSIA's compilation

Exhibit 10: THANI – Credit costs and coverage ratio, 1Q21-1Q24



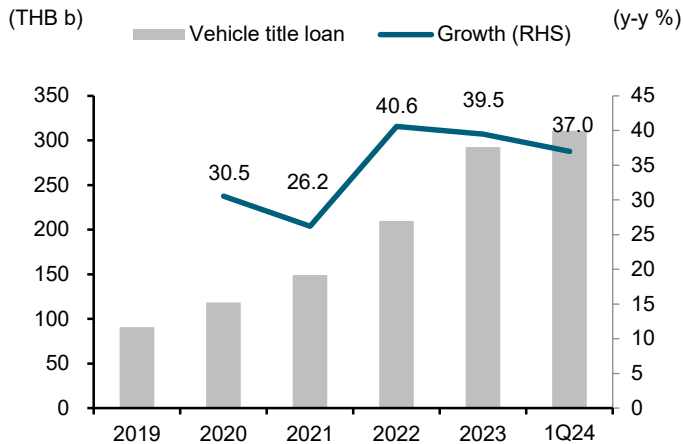
Sources: THANI; FSSIA's compilation

**2Q24 outlook:** We expect 2Q24 operating results to remain stable from 1Q24, given the low season with long holidays affecting its debt collection. While loan growth continues to be sluggish, ECLs should remain stable q-q at a high level. Interest spread would continue to see pressure from the rising cost of funds (expected to increase by c20bp from 3.40% at the end of 1Q24 to 3.50-3.60% at the end of 2024).

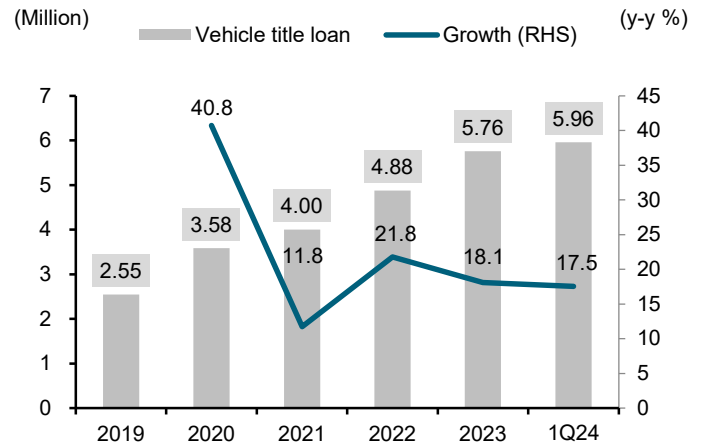
### Title loans (MTC, SAK, SAWAD, TIDLOR)

All four companies under our coverage showed an aggregate 1Q24 net profit of THB3.95b, increased by 6.1% q-q and 16.2% y-y, mainly driven by lower ECL expenses and credit costs. Excluding ECL expenses, PPOP exhibited a decline of 2.5% q-q (due to the low season effect) but grew by 17.3% y-y (due to loan and fee income growth). Interest spread plunged for all companies, aligning with their higher cost of funds (except SAK and TIDLOR, which posted a slight decline) and decreased loan yields. The cost-to-income ratio spiked for MTC (due to the seasonality effect), SAK, and SAWAD (due to a stubbornly high level of loss from sales of repossessed vehicles), except TIDLOR, which reported a slight decline.

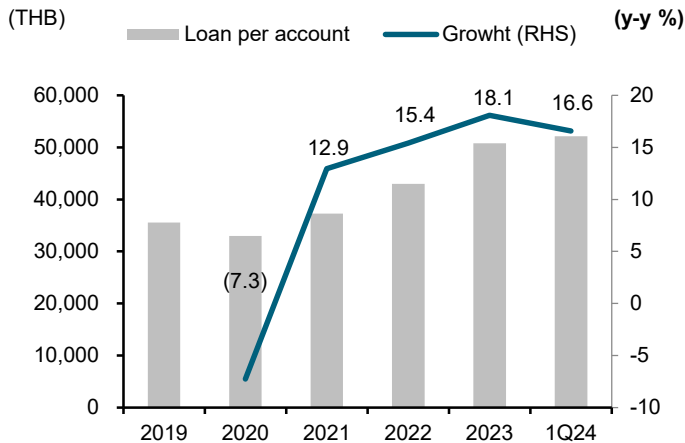
**Industry overview and outlook - Auto title loans:** Unlike the truck hire purchase segment, auto title loans grew in 1Q24, increasing by 6.2% q-q and 37.0% y-y, after rallying at a 34.1% CAGR during 2019-2023. Most of the growth contribution stemmed from non-banks (90%). Moreover, the number of customer accounts increased to 5.96m, with loans outstanding equivalent to THB52,139 per account – a continuous increase post-COVID. The growth in the number of accounts was less than outstanding loans, indicating that lenders continued providing more credits to existing customers than new ones, or there was a gradual increase in LTV for existing customers after reducing during COVID. The granting of top-up loans was mainly due to lenders' confidence in their existing customers due to their proven payment histories.

**Exhibit 11: Vehicle title loans and growth, 2019-1Q24**

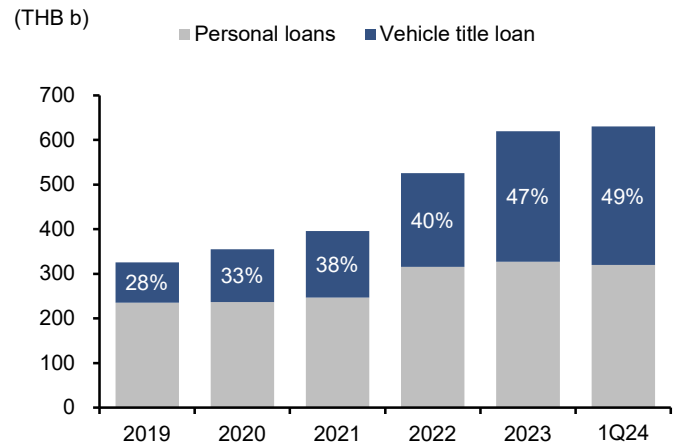
Sources: BoT, FSSIA's compilation

**Exhibit 12: Vehicle title loans – accounts and growth, 2019-1Q24**

Sources: BoT, FSSIA's compilation

**Exhibit 13: Vehicle title loans per account and growth, 2019-1Q24**

Sources: BoT, FSSIA's compilation

**Exhibit 14: Vehicle title loans and personal loans proportion, 2019-1Q24**

Sources: BoT, FSSIA's compilation

**Motorcycle hire-purchase receivables (SAWAD, MTC, SAK)**

SAWAD appears to be the number one player in this segment (31%) through its subsidiary SCAP (72%), along with SAK (4.5%) and MTC (3%). However, this segment is not the growth driver due mainly to its gloomy outlook.

Thailand motorcycle sales increased for three consecutive years during 2021-23 before declining by 11.2% y-y in 1Q24. However, the situation improved in April 2024 when the sales grew by 3.0% y-y. According to the Thai Honda Manufacturing forecast, it expects 2024 motorcycle sales to approach 1.75M units, the lowest in the past three years, contracting by 6.9% y-y. The situation resulted from the declining purchasing power of consumers, strict lending by credit operators to emphasize asset quality rather than growth, and the impacts of the BoT's control of the interest rate ceiling from January 2023.

**Asset quality:** Overall asset quality: As of 1Q24, the NPLs of non-banks amounted to THB7.10b, accelerating rapidly since 1Q22 (post-COVID), with their NPL ratio increasing to 2.29% from 2.11% at the end of 2023 and 0.95% at year-end 2019 (before COVID). By contrast, it was still lower than the NPL ratio of personal loans of 6.01% (partly including personal loans from CardX, a subsidiary of Siam Commercial Bank (SCB TB, BUY), into the non-bank group).

The Bank of Thailand (BoT) revealed no aggregate figures for stage 2 loans in the non-bank group. However, we gathered from the four companies under our coverage (MTC, SAK, SAWAD, TIDLOR) and noticed a continuous increase, particularly in SAWAD, reflecting its fragile asset quality. However, there were positive signs of acceleration in the proactive debt management of each company in 2023, along with more emphasis on credit quality. The information leads us to believe that ECLs and credit costs have already passed their peak in 2H23 and should gradually decrease in 2024-26.

#### Exhibit 15: MTC – Staged loans and ECL, 2021-1Q24

MTC	2021 (THB m)	2022 (THB m)	2023 (THB m)	1Q24 (THB m)	2021 (THB m)	2022 (THB m)	2023 (THB m)	1Q24 (THB m)
Loans and accrued interest	Staged loans % of total loans							
Stage 1	85,614	105,097	124,874	129,909	93.2	87.1	87.1	88.0
Stage 2	4,923	12,009	13,983	13,211	5.4	10.0	9.8	9.0
Stage 3	1,276	3,507	4,461	4,467	1.4	2.9	3.1	3.0
Total	91,812	120,613	143,318	147,587	100.0	100.0	100.0	100.0
Expected credit loss (ECL)	ECL % of staged loans							
Stage 1	729	767	1,225	1,490	0.9	0.7	1.0	1.1
Stage 2	360	682	1,115	1,078	7.3	5.7	8.0	8.2
Stage 3	743	2,237	2,829	2,831	58.2	63.8	63.4	63.4
Total	1,832	3,686	5,169	5,399	2.0	3.1	3.6	3.7
LLR / Loans	(%)	(%)	(%)	(%)				
Stage 1	0.9	0.7	1.0	1.1				
Stage 2	7.3	5.7	8.0	8.2				
Stage 3	58.2	63.8	63.4	63.4				
Total	2.0	3.1	3.6	3.7				
	(%)	(%)	(%)	(%)				
NPL / TL	1.4	2.9	3.1	3.0				
NPL vs Stage 2 loans / TL	6.8	12.9	12.9	12.0				
LLR / NPL	143.6	105.1	115.9	120.9				
LLR / (NPL vs Stage 2 loans)	29.6	23.8	28.0	30.5				

Sources: MTC; FSSIA's compilation

#### Exhibit 16: SAWAD – Staged loans and ECL, 2021-1Q24

SAWAD	2021 (THB m)	2022 (THB m)	2023 (THB m)	1Q24 (THB m)	2021 (%)	2022 (%)	2023 (%)	1Q24 (%)
Staged loans	% Staged loans to total							
Stage 1	29,562	50,271	86,099	86,065	87.7	91.0	88.7	87.2
Stage 2	2,879	3,614	8,012	9,410	8.5	6.5	8.3	9.5
Stage 3	1,249	1,385	2,998	3,192	3.7	2.5	3.1	3.2
Total	33,689	55,270	97,109	98,666	100.0	100.0	100.0	100.0
Allowance for ECL	% ECL to staged loans							
Stage 1	73	171	324	338	0.2	0.3	0.4	0.4
Stage 2	369	238	566	662	12.8	6.6	7.1	7.0
Stage 3	166	247	716	774	13.3	17.9	23.9	24.2
Total	609	656	1,605	1,774	1.8	1.2	1.7	1.8
LLR / Loans	(%)	(%)	(%)	(%)				
Stage 1	0.2	0.3	0.4	0.4				
Stage 2	12.8	6.6	7.1	7.0				
Stage 3	13.3	17.9	23.9	24.2				
Total	1.8	1.2	1.7	1.8				
	(%)	(%)	(%)	(%)				
NPL / TL	3.7	2.5	3.1	3.2				
NPL vs Stage 2 loans / TL	12.3	9.0	11.3	12.8				
LLR / NPL	49	47	54	56				
LLR / (NPL vs Stage 2)	15	13	15	14				

Sources: SAWAD; FSSIA's compilation



## Exhibit 17: TIDLOR – Staged loans and ECL, 2021-1Q24

	2021 (THB m)	2022 (THB m)	2023 (THB m)	1Q24 (THB m)	2021 (%)	2022 (%)	2023 (%)	1Q24 (%)
Staged loans	% staged loans to total							
Stage 1	47,769	65,700	80,023	82,054	77.7	80.8	82.1	81.9
Stage 2	12,957	14,280	16,022	16,473	21.1	17.6	16.4	16.5
Stage 3	732	1,285	1,412	1,607	1.2	1.6	1.4	1.6
Total	61,458	81,265	97,457	100,133	100.0	100.0	100.0	100.0
Allowance for ECL	% ECL to staged loans							
Stage 1	934	1,075	1,390	1,524	2.0	1.6	1.7	1.9
Stage 2	1,086	1,311	1,604	1,654	8.4	9.2	10.0	10.0
Stage 3	591	813	988	1,066	80.7	63.2	70.0	66.3
Total	2,611	3,199	3,981	4,244	4.2	3.9	4.1	4.2
LLR/ Loans	(%)	(%)	(%)	(%)				
Stage 1	2.0	1.6	1.7	1.9				
Stage 2	8.4	9.2	10.0	10.0				
Stage 3	80.7	63.2	70.0	66.3				
Total	4.2	3.9	4.1	4.2				
	(%)	(%)	(%)	(%)				
NPL / TL	1.19	1.58	1.45	1.60				
NPL vs Stage 2 loans / TL	357	249	282	264				
LLR / NPL	22.27	19.15	17.89	18.06				
LLR / (NPL vs Stage 2)	19	21	23	23				

Sources: TIDLOR; FSSIA's compilation

## Exhibit 18: SAK – Staged loans and ECL, 2021-1Q24

	2021 (THB m)	2022 (THB m)	2023 (THB m)	1Q24 (THB m)	2021 (%)	2022 (%)	2023 (%)	1Q24 (%)
Staged loans	% staged loans to total							
Stage 1	8,421	10,213	11,548	11,782	94.7	94.0	93.3	92.9
Stage 2	282	377	522	580	3.2	3.5	4.2	4.6
Stage 3	191	276	310	317	2.1	2.5	2.5	2.5
Total	8,893	10,867	12,380	12,679	100.0	100.0	100.0	100.0
Allowance for ECL	% ECL to staged loans							
Stage 1	63	79	81	81	0.7	0.8	0.7	0.7
Stage 2	58	81	87	87	20.5	21.5	16.7	15.0
Stage 3	87	131	142	142	45.5	47.2	45.8	44.8
Total	208	290	310	310	2.3	2.7	2.5	2.4
LLR/ Loans	(%)	(%)	(%)	(%)				
Stage 1	0.7	0.8	0.7	0.7				
Stage 2	20.5	21.5	16.7	15.0				
Stage 3	45.5	47.2	45.8	44.8				
Total	2.3	2.7	2.5	2.4				
	(%)	(%)	(%)	(%)				
NPL / TL	2.1	2.5	2.5	2.5				
NPL vs Stage 2 loans / TL	5.3	6.0	6.7	7.1				
LLR / NPL	109	105	100	98				
LLR / (NPL vs Stage 2)	44	44	37	35				

Sources: SAK; FSSIA's compilation

**2Q24 outlook:** We estimate the aggregate 2Q24 net profit of MTC, SAK, SAWAD, and TIDLOR to be THB4.09b, increasing 3.5% q-q and 18.3% y-y. Despite being a low season, operating expenses should decline, especially for MTC, which already passed its peak in 1Q24, and a reduction in the credit cost should help offset and drive its q-q net profit growth. However, there is still pressure from the accelerating cost of funds aligning with repricing new debentures with a higher interest rate.



## Asset management companies (BAM, JMT, CHAYO)

The three AMC's under our coverage reported an aggregate 1Q24 net profit of THB845m, implying a decline of 24.5% q-q but a soft 2.6% y-y growth. The figure received the most distinguished drag from a sharp fall in CHAYO's net profit of a mere THB3m (down 97.3% q-q and 96.9% y-y) due to a large one-time booking of ECL expenses worth THB128m after the firm realized a lower litigation claim of Yao-Yai Island (in Pangnga province) of cTHB80m and lower expected cash collection of some HP portfolios of cTHB50m. Excluding the incidence, CHAYO 1Q24 net profit would have finished at THB107m, pushing the aggregate amount to THB948m, which exhibited a 15.4% q-q loss due to the post-seasonal effect of cash collection but expanded 15.0% y-y, following the industries' aggressive NPL acquisition in 2H23.

### Exhibit 19: AMC aggregate 1Q24 net profit

	1Q24 (THB m)	4Q23 (THB m)	Change (q-q %)	1Q23 (THB m)	Change (y-y %)	2023 (THB m)	2024E (THB m)	Change (y-y %)
BAM	423	460	(8.0)	267	58.8	1,534	1,779	16.0
JMT	418	540	(22.6)	453	(7.7)	2,011	1,741	(13.4)
CHAYO	3	120	(97.3)	104	(96.9)	391	291	(25.7)
<b>Coverage</b>	<b>845</b>	<b>1,120</b>	<b>(24.5)</b>	<b>823</b>	<b>2.6</b>	<b>3,936</b>	<b>3,810</b>	<b>(3.2)</b>

Sources: Company data; FSSIA estimates

**Industry overview:** The Thai AMC sector experienced a pull-back in the face of 1) a muted and uneven recovery of the domestic economy, 2) impaired household purchasing power over a high-interest rate environment and high household debt, and 3) soft property demand and strict lending policy of banks, which had the most prominent effect on the underperforming NPA sales of secured AMC players, prolonging since 2H23. Since the matters represent a structural issue for the Thai economy, we do not expect it to reverse rapidly. Also, it should continue to pressure AMC's bottom-line results throughout 2024.

As the end of 2024 marks a deadline for establishing JV AMC's between AMC's and banks (both commercial and state-run), we expect to hear more news regarding the matter in 2H24. CHAYO's management reported receiving high interest for joint investment from banks during 2Q24, while BAM announced the foundation of ARI-AMC, a JV with the government Savings Bank, on 29 May 24. Meanwhile, JMT disclosed that it had no ongoing deal with banks apart from JK AMC (50% ownership).

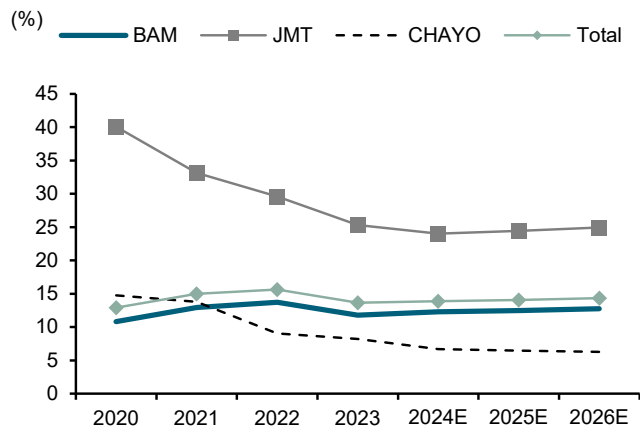
**Cash collection:** Our coverage's 1Q24 aggregate cash collection was THB5.1b, declining 8.0% q-q but improving 9.2% y-y. On a q-q basis, both BAM and JMT observed a fall of 9.7% q-q and 4.5% q-q, respectively, aligning with the seasonal influence. However, CHAYO accomplished a growth of 4.0% q-q mainly due to its significant acquisitions of not-long-overdue unsecured NPLs in 2H23. However, given aggressive loan purchases in 2023, we believe the results had pressure from unfavorable macro backdrops, reflected in higher ECL expenses for JMT (+49.9% q-q, +66.5% y-y) and CHAYO (+2.8% q-q, +64.7% y-y, excluding extra ECLs). Therefore, we expect the sector's 2024 cash collection to deliver only a one-digit growth of 8.6% y-y.

We observed a trend of declining cash collection ability against the macro headwinds we had highlighted. Despite companies accelerating loan acquisition in the past two years, it was not well rewarded in the collection results at the end of 2023, especially for the secured loan players, which rang true for BAM and also JMT since they had an increasing proportion of secured loans in recent years. As per our calculation, the ratio between cash collection/avg. NPL and NPA of firms exhibited a y-y decline in 2023, partially due to a higher base following aggressive acquisitions over the year. We do not have a significant concern about the financial position of AMC's under our coverage in 2024-26. However, if the trend persists in the long run, it could widen a mismatch between debt maturity and cash inflows, raising rollover concerns. Also, it could apprehend firms with high finance cost burdens, pressuring bottom-line growth.

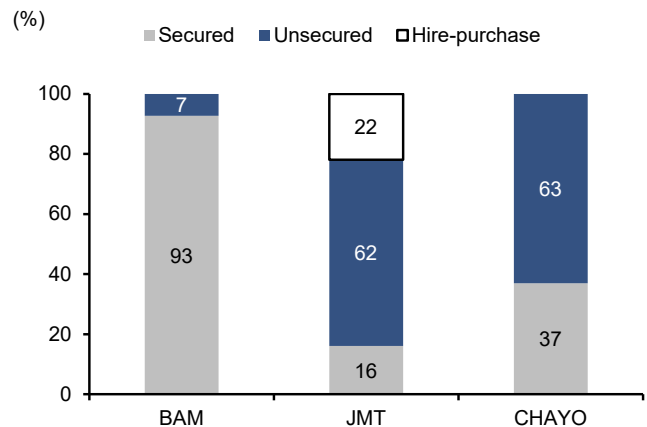
**Exhibit 20: Companies' historical cash collection, 1Q22-1Q24**

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	----- Change -----		% of	2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	24E	(THB m)	(THB m)	(y-y %)
BAM	3,158	3,952	4,420	5,395	3,221	4,118	3,862	3,913	3,534	(9.7)	9.7	21.41	15,113	16,501	9.2
JMT	1,458	1,337	1,416	1,337	1,369	1,561	1,330	1,518	1,449	(4.5)	5.8	23	5,778	6,212	7.5
CHAYO	71	86	77	106	105	92	106	137	147	7.8	40.0	33	439	444	1.1
<b>Coverage</b>	<b>4,687</b>	<b>5,375</b>	<b>5,913</b>	<b>6,838</b>	<b>4,695</b>	<b>5,770</b>	<b>5,297</b>	<b>5,567</b>	<b>5,130</b>	<b>(7.9)</b>	<b>9.3</b>	<b>22</b>	<b>21,330</b>	<b>23,157</b>	<b>8.6</b>

Sources: Company data; FSSIA estimates

**Exhibit 21: Companies' cash collection ratio, 2020-26E**

Sources: Company data; FSSIA estimates

**Exhibit 22: Breakdown of purchased receivables by type, as of 2023**

Sources: Company data; FSSIA's compilation

**Investment:** The total investment in NPLs of the sector in 1Q24 was THB1.37b, declining 56.2% q-q and 66.6% y-y, representing only 9.5% of our 2024E aggregate investment. We observed that financial institutions (FI) held back supplies due to the influence of the Bank of Thailand's responsible lending policy (effective 24 Jan), which regulated FIs to attempt to negotiate with troubled debtors for loan restructuring before write-off or sales, causing a delay in the purchases of AMCs during the period. However, companies remain faithful to the trend of NPL supply gluts in 2024, and we estimate that the activity may tilt towards 2H24.

**Exhibit 23: Companies' historical investment in receivables, 1Q22-1Q24**

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	----- Change -----		% of	2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	24E	(THB m)	(THB m)	(y-y %)
BAM	1,347	1,391	379	4,962	2,650	4,723	5,431	1,514	1,194	(21.1)	(54.9)	12	14,318	10,000	(30.2)
JMT	728	375	536	2,903	1,384	2,702	2,294	838	171	(79.6)	(87.7)	5	7,218	3,500	(51.5)
CHAYO	28	295	118	1,351	77	60	592	782	8	(98.9)	(89.0)	1	1,510	1,000	(33.8)
<b>Coverage</b>	<b>2,102</b>	<b>2,061</b>	<b>1,032</b>	<b>9,216</b>	<b>4,111</b>	<b>7,485</b>	<b>8,317</b>	<b>3,134</b>	<b>1,373</b>	<b>(56.2)</b>	<b>(66.6)</b>	<b>9</b>	<b>23,046</b>	<b>14,500</b>	<b>(37.1)</b>

Sources: Company data; FSSIA estimates

**2Q24 outlook:** We expect a low season for cash collection in 2Q24 over a backdrop of high spending needs of debtors during holidays. However, the aggregate 2Q24 net profit will likely exhibit a q-q growth due to the relief from CHAYO's one-time ECL. Also, it should receive a push from gain on an additional fully amortized portfolio (c5% to total). By company, we expect BAM's 2Q24 net profit to grow q-q as it reported to have realized cTHB400 collection from a large NPA (as of 24 May), which should contribute cTHB240m in NPA gains (before taxes). However, JMT's guidance for its 2Q24 remains disappointing, with a prolonged period of high ECL due to a lower-than-expected cash collection from secured portfolios.

On the other hand, we expect a y-y contraction due to a high base effect as BAM delivered an outstanding 2Q23 performance, supported by collections from large NPL and NPA customers. Also, JMT had accrued cash collection from 1Q23 realized during the quarter.

## Unsecured finance companies (KTC, AEONTS)

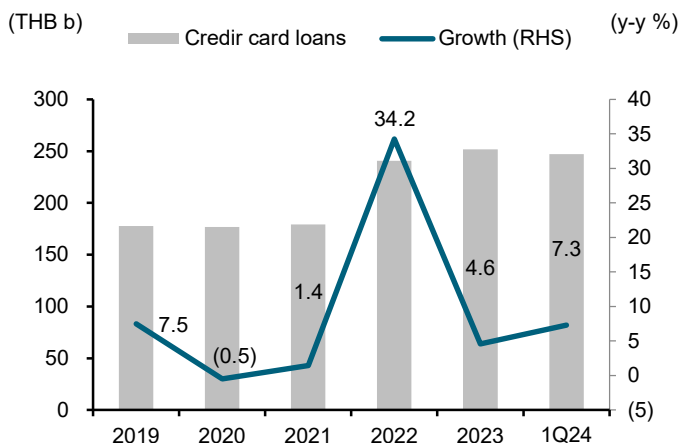
KTC posted a 1Q24 net profit of THB1.8b (up 2.4% q-q but down 3.7% y-y), accounting for 24% of our 2024E net profit. PPOP finished at THB3.9b (up 3.9% q-q and 7.0% y-y). Although the 1Q24 operations experienced a slight q-q increase in ECLs due to a change to a faster NPL write-off policy discussed in the 1Q24 results review, it had a limited impact due to its sufficient reserves. Loans also dwindled 6.2% q-q but maintained a 2.0% y-y growth, causing NII to decline 3.7% q-q but increase 4.2% y-y. However, lower OPEX due to seasonality and higher bad debt recovery income from the written-off loans during the period also supported the q-q performance growth.

Meanwhile, AEONTS 4QFY23 (Dec-Feb 24) net profit of THB1.1b, exhibiting sharp increases of 54.9% q-q and 57.8% y-y, received a massive push from a lower credit cost from 8.10% in 3QFY23 to 5.61%. However, the core operations remained under pressure. The underperforming NII of THB4.1b (down 1.6% q-q and 4.5% y-y) was due to contracting loans of 2.8% q-q and 2.8% y-y following its prolonged aggressive bad debt write-off. 4QFY23 non-NII increased by 5.1% q-q and 3.6% y-y due to higher bad debt recovery income from the loan write-offs in the past years, while OPEX rose in 4QFY23 as usual, pushing the cost-to-income ratio higher to 40.2%.

**Industry overview and outlook:** The industry's 1Q24 credit card spending volume of THB202.6b decreased by 6.2% q-q but increased by 6.3% y-y. The decline on the q-q basis was due to a seasonal peak in 4Q, while, on the y-y basis, it received some support from the Easy E-receipt policy (1 Jan – 15 Feb 24). However, companies reported that the influence of the stimulus was lower than expected due to 1) the reluctance to spend of customers over a slowing economy and 2) a high-base effect in 1Q23, which also had a similar stimulus under the name "Shop Dee Mee Kuen" (1 Jan – 15 Feb 23) with a higher number of merchants attended the campaign. The loan outstanding at the end of 1Q24 finished at THB247.2b, implying a contraction of 1.8% q-q but an increase of 7.3% y-y. The industry's NPL ratio declined from 2.33% in 4Q23 to 2.03% in 1Q24, following a lower figure observed from the two most prominent industry players (KTC and AEONTS).

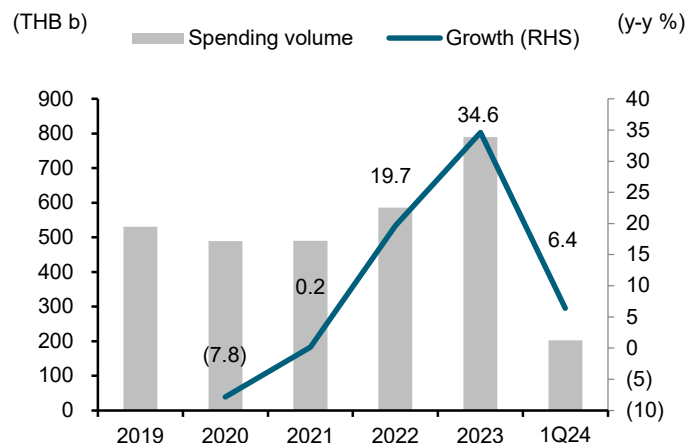
We observed a limited impact from the lift in credit card minimum payment from 5% to 8% (effective 24 Jan), especially for KTC, where customers' average repayment ranges high at c10-12%. For AEONTS, the policy led to cTHB500m of new NPLs, but the overall effect (as of 24 May) was more limited than management's expectation and deemed under control.

**Exhibit 24: Credit card loan growth, 2019-1Q24**



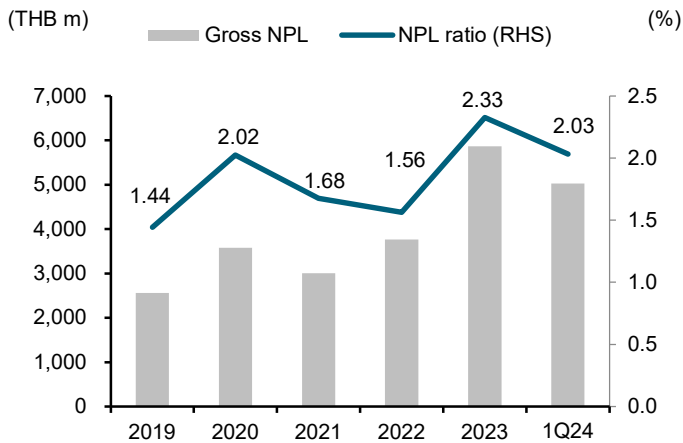
Sources: BoT; FSSIA's compilation

**Exhibit 25: Card spending volume growth, 2019-1Q24**



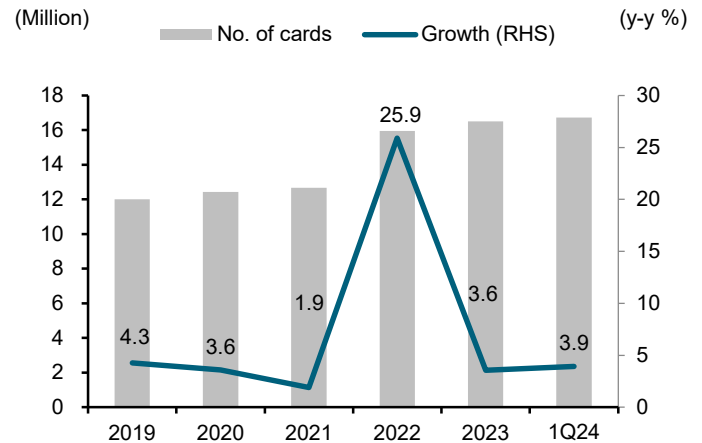
Sources: BoT; FSSIA's compilation

Exhibit 26: NPL ratio, 2019-1Q24



Sources: BoT; FSSIA's compilation

Exhibit 27: Total number of cards, 2019-1Q24



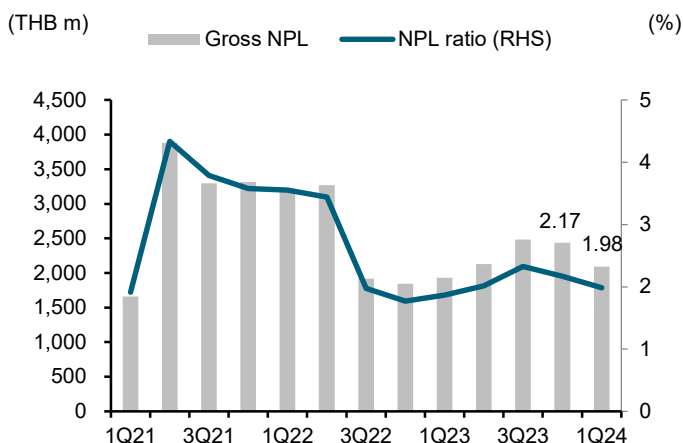
Sources: BoT; FSSIA's compilation

**Asset quality:** Both companies posted a sharp decline in their NPL ratio, with KTC falling from 2.17% in 4Q23 to 1.98% and AEONTS down from 6.23% in 3QFY23 to 4.97% mainly due to their changes in bad debt management policies.

KTC's change in write-off practice led the amount in 1Q24 to spike to THB4.1b compared to the cTHB1.2b-1.3b quarterly average. It did not lead to a meaningful increase in the credit cost, as necessary reserves were previously set. Accordingly, the coverage ratio shrank from 400% in 2023 to 354% at the end of 1Q24. Going forward, we expect KTC's asset quality-related ratios to normalize, with the NPL ratio gradually climbing to 2.07% and the coverage ratio declining slightly to 343% towards year-end.

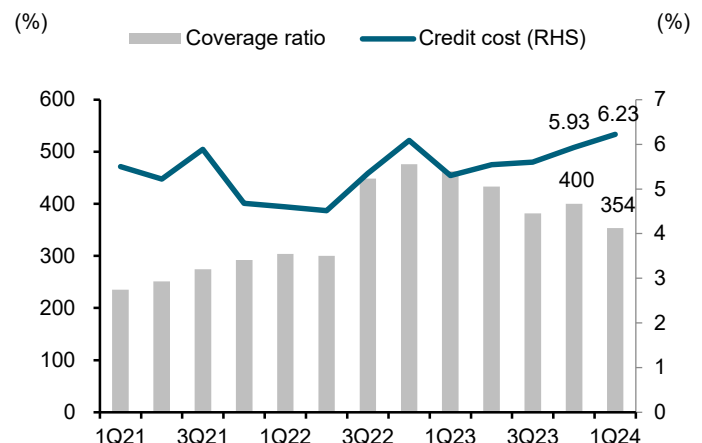
AEONTS, with its shortened loan staging policy, also led to a decline in the NPL ratio. Meanwhile, it reported to have reduced its provision on new loans by 50-80bps, while aggressive debt write-off continued during the period. The coverage ratio sharply increased from 162% in 3QFY23 to 183% at the end of 4QFY23 due to a smaller NPL base. We view its less stringent bad debt policy as neutral as it could lead to higher ECLs and NPL migration afterward amid an unfavorable economic outlook.

Exhibit 28: KTC – NPL and NPL ratio, 1Q21-1Q24



Sources: KTC; FSSIA's compilation

Exhibit 29: KTC – credit costs and coverage ratio, 1Q21-1Q24

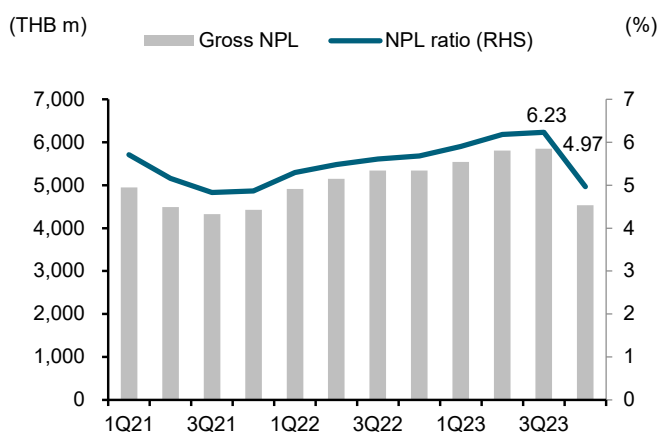


Sources: KTC; FSSIA's compilation

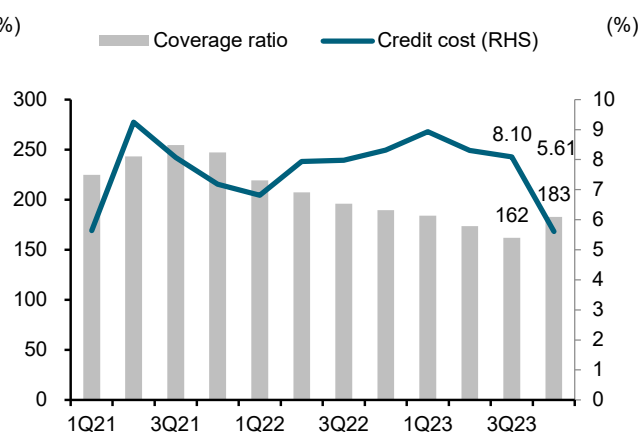
**Exhibit 30: KTC – Staged loans and ECL, 2021-1Q24**

	2021 (THB m)	2022 (THB m)	2023 (THB m)	1Q24 (THB m)	2021 (%)	2022 (%)	2023 (%)	1Q24 (%)
Loans and accrued interest					% Staged loans			
Stage 1	76,929	87,743	92,974	87,467	86.6	86.8	85.7	86.0
Stage 2	10,338	11,690	13,585	12,734	11.6	11.6	12.5	12.5
Stage 3	1,581	1,627	1,875	1,504	1.8	1.6	1.7	1.5
Total	88,848	101,060	108,434	101,705	100.0	100.0	100.0	100.0
Expected credit loss (ECL)					% ECL to staged loans			
Stage 1	3,918	4,247	4,332	3,093	5.1	4.8	4.7	3.5
Stage 2	2,365	2,782	3,316	2,482	22.9	23.8	24.4	19.5
Stage 3	1,066	1,139	1,283	960	67.4	70.0	68.5	63.8
Total	7,349	8,168	8,931	6,536	8.3	8.1	8.2	6.4
	(%)	(%)	(%)	(%)				
NPL / TL	1.8	1.6	1.7	1.5				
LLR / NPL	465	502	476	435				
NPL + S2 / TL	13.4	13.2	14.3	14.0				
LLR / (NPL + S2)	61.7	61.3	57.8	45.9				

Sources: KTC; FSSIA's compilation

**Exhibit 31: AEONTS – NPL and NPL ratio, 1Q21-1Q24**

Sources: AEONTS; FSSIA's compilation

**Exhibit 32: AEONTS – Credit costs and coverage ratio, 1Q21-1Q24**

Sources: AEONTS; FSSIA's compilation

**Exhibit 33: AEONTS – Staged loans and ECL, FY2020-23**

	FY2020 (THB m)	FY2021 (THB m)	FY2022 (THB m)	FY2023 (THB m)	FY2020 (%)	FY2021 (%)	FY2022 (%)	FY2023 (%)
Loans and accrued interest					% Staged loans			
Stage 1	79,447	82,899	85,032	83,792	90.9	91.1	90.5	91.8
Stage 2	2,944	3,702	3,565	2,979	3.4	4.1	3.8	3.3
Stage 3	5,042	4,427	5,340	4,534	5.8	4.9	5.7	5.0
Total	87,433	91,028	93,937	91,305	100.0	100.0	100.0	100.0
Expected credit loss (ECL)					% ECL to staged loans			
Stage 1	5,969	5,564	4,398	3,748	7.5	6.7	5.2	4.5
Stage 2	1,579	1,917	1,658	1,301	53.6	51.8	46.5	43.7
Stage 3	4,045	3,470	4,069	3,239	80.2	78.4	76.2	71.4
Total	11,593	10,951	10,125	8,288	13.3	12.0	10.8	9.1
LLR / Loans								
Stage 1	7.51	6.71	5.17	4.47				
Stage 2	53.63	51.80	46.51	43.67				
Stage 3	80.23	78.38	76.20	71.43				
Total	13.26	12.03	10.78	9.08				
NPL / TL								
Stage 1	5.77	4.86	5.69	4.97				
LLR / NPL	230	247	190	183				
NPLs + stage 2 loans / total loans	9.13	8.93	9.48	8.23				
LLR/(NPLs + stage 2 loans)	145	135	114	110				

Sources: AEONTS; FSSIA's compilation

**2Q24 outlook:** We expect a moderate q-q rise in 2Q24 card spending volume for the seasonal effect with more holidays, pressuring both companies' loan growth and fee income. KTC's net profit should grow by a q-q decline in ECL expenses after a large portion of debt write-off has passed, while NII could rise over a positive q-q loan growth. We expect a q-q decline for AEONTS' 1QFY24 net profit as it has committed to resume achieving loan growth in 2024, especially in the credit card segment, which could trigger a higher credit cost over a rising NPL ratio amid the current sluggish economy.

### Observe no significant concern on financial position

We have no cause for concern for the financial position of companies under coverage as we expect corporates to prioritize credit quality (preserve cash) and be cautious about growth in 2024, primarily for unsecured finance and hire-purchase truck lenders.

Although ASK exhibited the highest D/E and IBD/E ratios in 1Q24, at 6.2x and 6.0x, respectively (against the sector average of 2.5x and 2.8x), we expect the leverage ratios to remain manageable under a D/E covenant of 10.0x, given our expectation of a low 5.4% y-y loan growth in 2024.

TIDLOR's 1Q24 IBD/Paid-up capital of 6.9x was close to its covenant of 7.0x. However, on 29 February, management announced a stock dividend payment at a 27:1 ratio (payment date on 14 May). Also, the scheduled bond repayment worth THB5.35b in April 2024 should press the ratio down to c6.4-6.5x by the end of 2Q24, lower than our 2024 target of 6.6x.

CHAYO's 2024 financial position should be of minor concern among its peer AMCs as management exercised call rights on a bond on 24 March, relieving it of pressure from debenture repayment obligations through the rest of 2024. Meanwhile, it successfully sourced funding by issuing a debenture of THB622m during the same month, securing sufficient liquidity for loan acquisition and growth in its lending business in 2024.

JMT will encounter debenture repayments worth THB625m in 3Q24 and THB1.0b in 4Q24. Meanwhile, we expect the 2024 cash collection at an average of THB516m/month (excl. contribution from JK AMC). As of 1Q24, JMT has an undrawn long-term credit line of THB1.7b from commercial banks. Hence, we expect its financial position to remain manageable under our 2024 loan purchase target of THB3.5b (down 51.5% y-y).

### Exhibit 34: Leverage ratios and debt covenant of companies under coverage

	---- 1Q24 ----		---- 2024E ----		Debt covenant		----- Outstanding debentures -----				----- Debenture maturity -----				
	D/E	IBD/E	D/E	IBD/E	D/E	IBD/E	1Q24	2Q24E	3Q24E	4Q24E	1Q24	2Q24E	3Q24E	4Q24E	Total
	(x)	(x)	(x)	(x)	(x)	(x)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
<b>Auto title</b>															
MTC	3.6	3.5	3.7	3.6	4.5	n/a	71,923	80,484	73,409	66,960	6,386	5,060	7,074	6,449	24,970
SAWAD	2.5	2.4	2.7	2.5	4.5	n/a	41,771	44,611	41,793	38,014	3,247	-	2,818	3,779	9,844
TIDLOR	2.5	6.9*	2.5	6.6*	n/a	7.0*	39,650	34,300	31,300	31,300	-	5,350	3,000	-	8,350
SAK	1.2	1.2	1.3	1.3	3.0	n/a	363	363	363	363	-	-	-	-	-
<b>Unsecured finance</b>															
KTC	1.8	1.6	2.0	1.7	10.0	n/a	44,922	44,922	43,822	41,577	4,000	-	1,100	2,245	7,345
AEONTS	2.8	2.6	2.5	2.7	7.0	n/a	22,066	22,066	21,066	17,727	-	-	1,000	3,340	4,340
<b>Hire-purchase truck</b>															
ASK	6.2	6.0	6.5	6.3	10.0	n/a	29,688	28,549	26,754	21,554	-	2,700	1,795	5,200	9,695
<b>AMCs</b>															
BAM	2.1	2.1	2.2	2.1	3.0	n/a	73,520	70,580	66,080	65,580	-	6,800	4,500	500	11,800
JMT	0.5	0.5	0.5	0.5	n/a	3.0	9,603	9,603	8,978	7,965	1,849	-	625	1,013	3,486
CHAYO	1.3	1.2	1.0	1.1	2.0	n/a	3,974	3,940	3,940	3,940	-	34	-	-	34
<b>Average</b>	<b>2.5</b>	<b>2.8</b>	<b>2.5</b>	<b>2.8</b>			<b>337,480</b>	<b>339,417</b>	<b>317,505</b>	<b>294,979</b>	<b>15,482</b>	<b>19,944</b>	<b>21,912</b>	<b>22,525</b>	<b>79,864</b>

\* = IBD/ Paid-up capital

Sources: Company data; FSSIA estimates

## Potential upward 2024 aggregate net profit revision from SAWAD

We expect 2024-25 aggregate net profit to grow 8.9% y-y and 13.8% y-y, with one crucial contributor from vehicle title loan growth of 19.3% y-y and 19.1% y-y. Meanwhile, we expect sluggish growth in the credit card/personal loan segment at 3.5% y-y and 4.8% y-y. Regarding the truck hire-purchase segment, we expect a significant plunge in 2024 net profit at 28.2% y-y but a recovery of 15.9% y-y in 2025. The AMC segment should follow the same trend as trucks, with an expected decline in 2024 net profit at 3.2% y-y but a recovery of 15.4% y-y in 2025. Based on our current assumption, we anticipate a downward revision of JMT's 2024-25E net profit by c2.8% (from higher-than-expected ECLs) and KTC's by c1.7% (from lower-than-anticipated NII). On the contrary, we expect an upward revision of SAWAD's 2024-25E net profit by 9% since our 2024-25 ECL target is higher than the company's guidance by 60bp on average. In conclusion, we expect a 1% potential upside to our 2024-25 net profit forecast.

### Exhibit 35: Up (down) side risks to our 2024E net profit

	----- Net profit -----			Up (down)	Reason
	2023	2024E	2025E	side	
	(THB m)	(THB m)	(THB m)	(%)	
Auto title					
MTC	4,906	6,292	7,858	-	
SAWAD	5,001	5,445	6,169	9.0	2024E ECL target exceed company's guidance by 50bps
TIDLOR	3,790	4,671	5,551	-	
SAK	750	831	949	-	
<b>Total</b>	<b>14,448</b>	<b>17,239</b>	<b>20,526</b>		
<b>Growth (y-y %)</b>		<b>19.3</b>	<b>19.1</b>		
Unsecured finance					
KTC	7,295	7,674	7,998	(1.7)	Lower-than-expected NII
AEONTS	3,259	3,245	3,440	-	
<b>Total</b>	<b>10,554</b>	<b>10,919</b>	<b>11,438</b>		
<b>Growth (y-y %)</b>		<b>3.5</b>	<b>4.8</b>		
Hire-purchase truck					
ASK	1,219	875	1,014	-	
<b>Total</b>	<b>1,219</b>	<b>875</b>	<b>1,014</b>		
<b>Growth (y-y %)</b>		<b>(28.2)</b>	<b>15.9</b>		
AMCs					
BAM	1,535	1,779	1,899	-	
JMT	2,011	1,741	2,048	(2.8)	Higher-than-expected ECL
CHAYO	391	291	451	-	
<b>Total</b>	<b>3,936</b>	<b>3,810</b>	<b>4,398</b>		
<b>Growth (y-y %)</b>		<b>(3.2)</b>	<b>15.4</b>		
<b>Coverage</b>	<b>30,157</b>	<b>32,844</b>	<b>37,376</b>	<b>1.0</b>	
<b>Growth (y-y %)</b>		<b>8.9</b>	<b>13.8</b>		

Source: FSSIA estimates



## Underweight rating maintained with MTC and TIDLOR as our top picks

We maintain an UNDERWEIGHT call for the finance sector on its gloomy outlook aligning with the uneven recovery of the Thai economy and the high level of household debts, leading to asset quality problems. However, we prefer vehicle title loans to other segments since their net profits tend to grow above the sector and market averages, aligning with their aggressive branch opening and improved branch efficiency. We choose MTC (TP THB50) and TIDLOR (TP THB27) as top picks mainly due to their above-average net profit growth in 2024-25E. Moreover, their current share price should offer a limited downside since they are trading below -1SD of their 3-5YR historical P/BV average.

### Exhibit 36: MTC – GGM based 2024 TP

Gordon Growth Model	2024E
Sustainable ROE	18.6%
g	5.3%
ROE-g	13.3%
Beta	1.17
Risk free rate	3.0%
Risk premium	6.0%
COE	10.0%
COE-g	4.7%
<b>ROE-g/COE-g (x)</b>	<b>2.82</b>

Sources: FSSIA estimates

### Exhibit 37: TIDLOR – GGM-based 2024 TP

Gordon Growth Model	2024E
Sustainable ROE	15.5%
g	6.4%
ROE-g	9.1%
Beta	1.20
Risk free rate	3.0%
Risk premium	6.0%
COE	10.2%
COE-g	3.8%
<b>ROE-g/COE-g (x)</b>	<b>2.39</b>

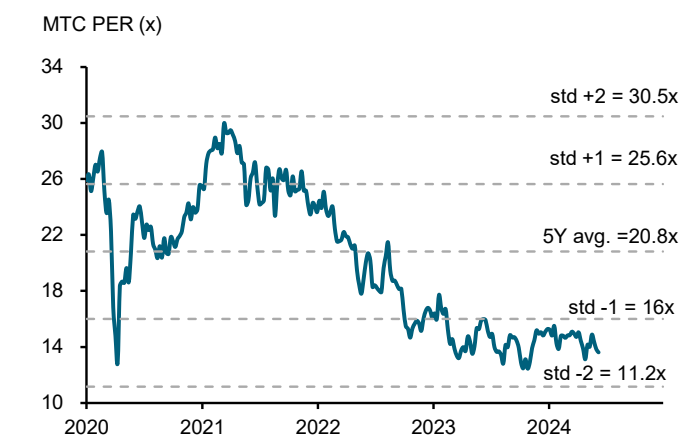
Sources: FSSIA estimates

### Exhibit 38: MTC – one-year prospective PBV band



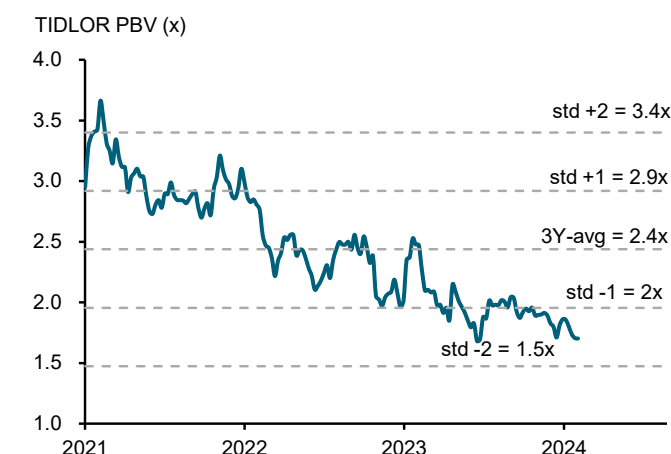
Sources: Bloomberg; FSSIA estimates

### Exhibit 39: MTC – one-year prospective PER band



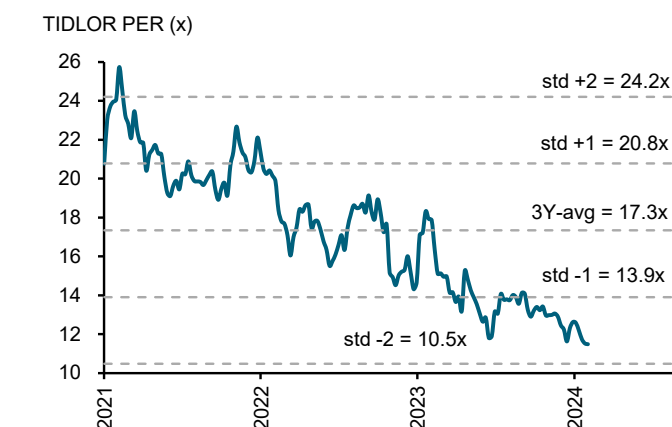
Sources: Bloomberg; FSSIA estimates

### Exhibit 40: TIDLOR – one-year prospective PBV band

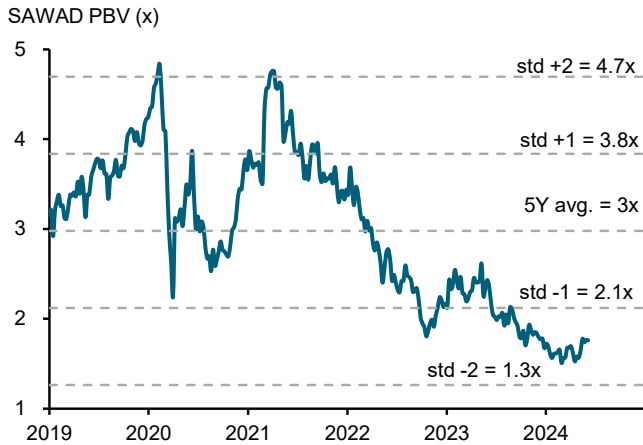


Sources: Bloomberg; FSSIA estimates

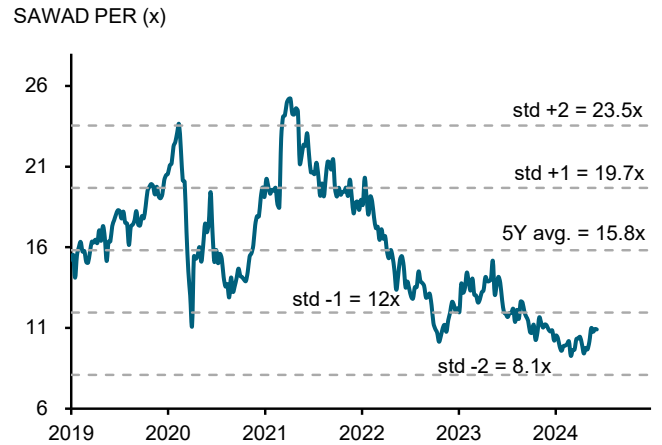
### Exhibit 41: TIDLOR – one-year prospective PER band



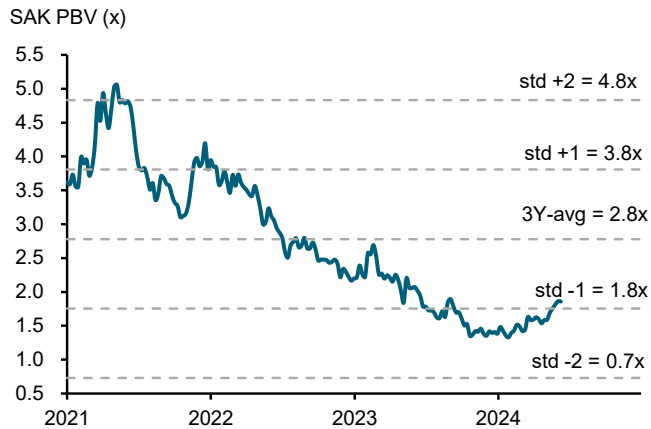
Sources: Bloomberg; FSSIA estimates

**Exhibit 42: SAWAD – one-year prospective PBV band**

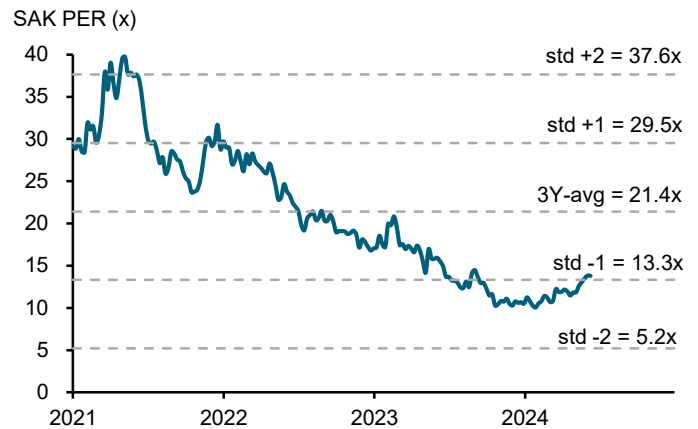
Sources: Bloomberg; FSSIA estimates

**Exhibit 43: SAWAD – one-year prospective PER band**

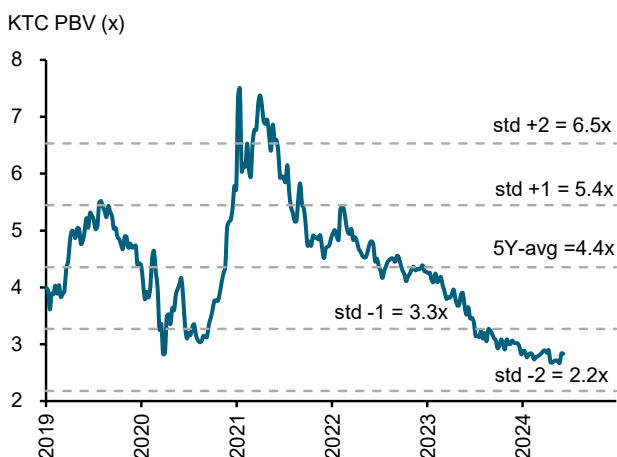
Sources: Bloomberg; FSSIA estimates

**Exhibit 44: SAK – one-year prospective PBV band**

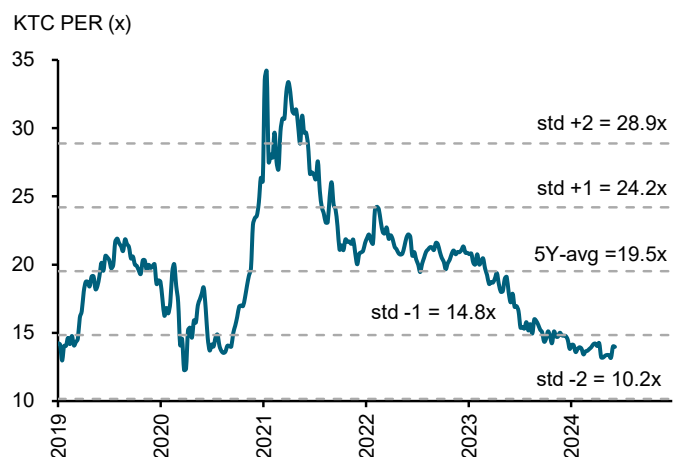
Sources: Bloomberg; FSSIA estimates

**Exhibit 45: SAK – one-year prospective PER band**

Sources: Bloomberg; FSSIA estimates

**Exhibit 46: KTC – one-year prospective PBV band**

Sources: Bloomberg; FSSIA estimates

**Exhibit 47: KTC – one-year prospective PER band**

Sources: Bloomberg; FSSIA estimates

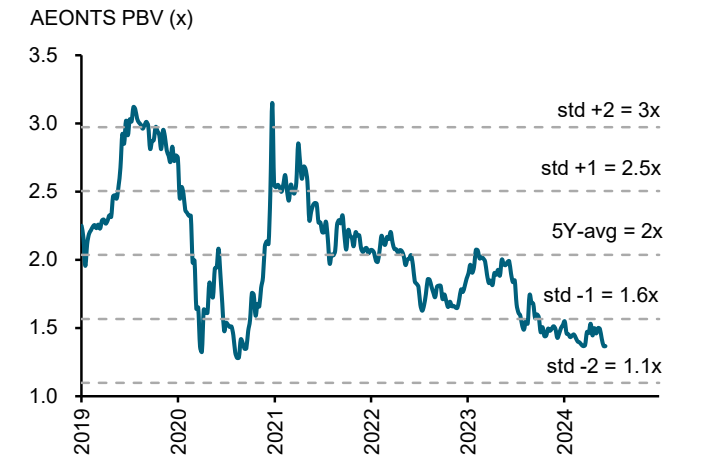
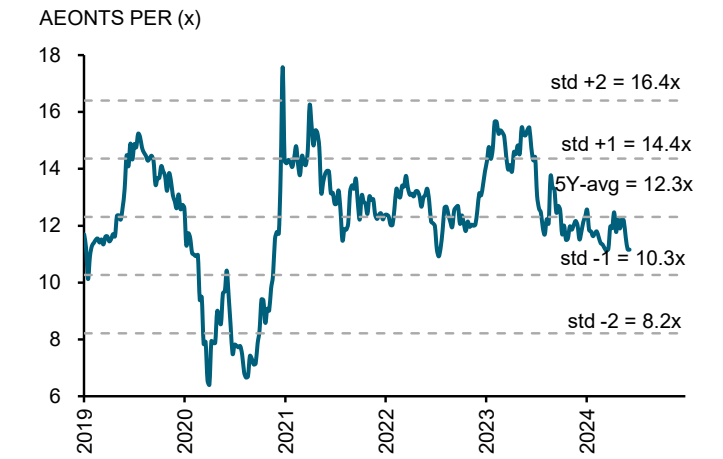
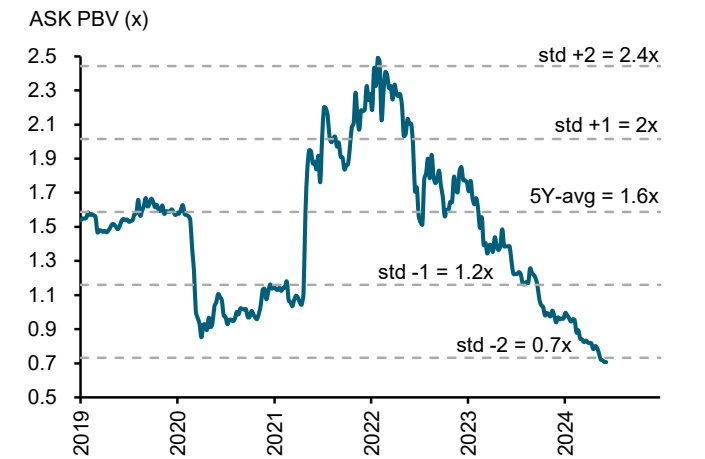
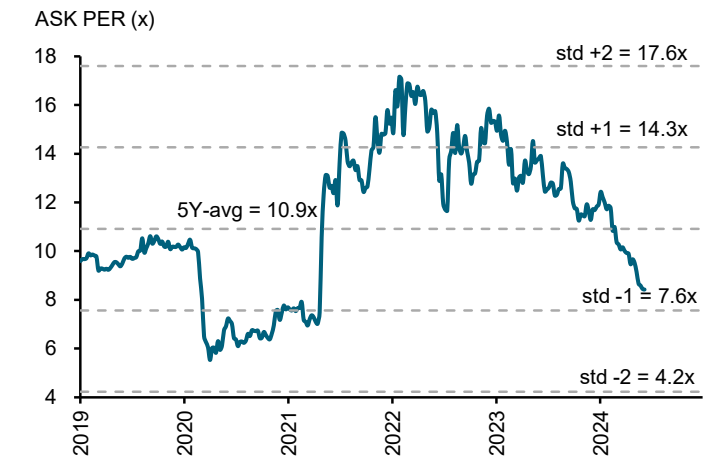
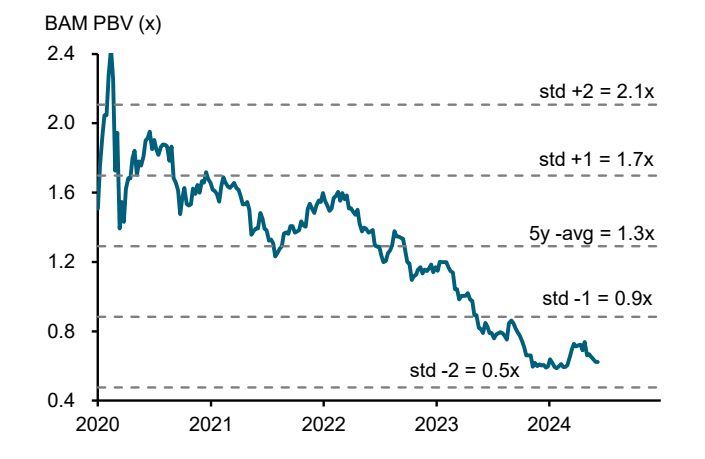
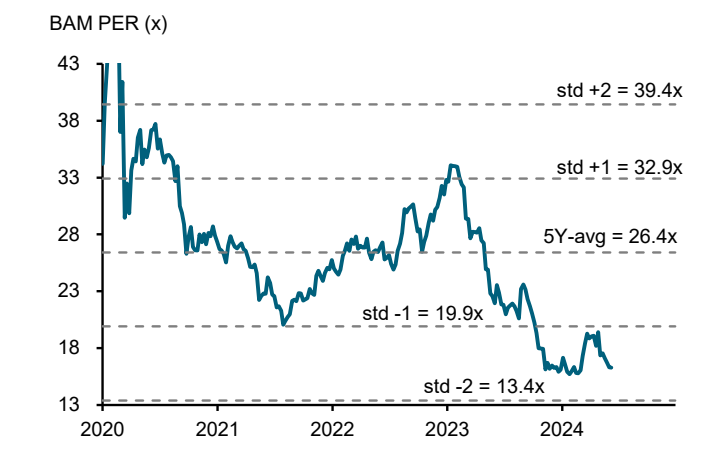
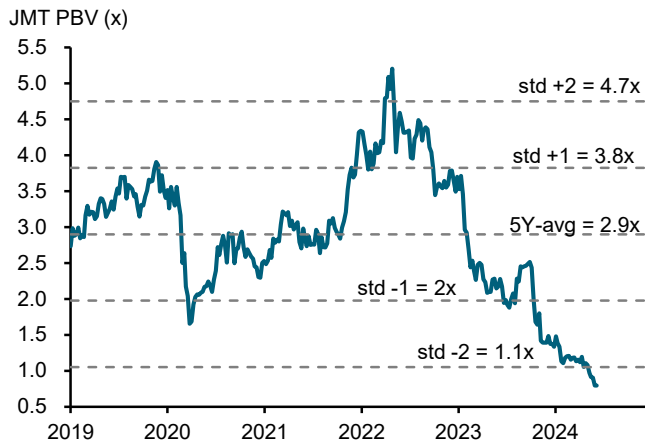
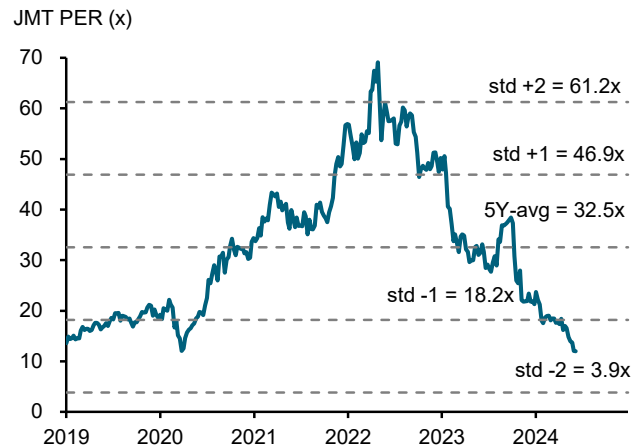
**Exhibit 48: AEONTS – one-year prospective PBV band****Exhibit 49: AEONTS – one-year prospective PER band****Exhibit 50: ASK – one-year prospective PBV band****Exhibit 51: ASK – one-year prospective PER band****Exhibit 52: BAM – one-year prospective PBV band****Exhibit 53: BAM – one-year prospective PER band**

Exhibit 54: JMT – one-year prospective PBV band



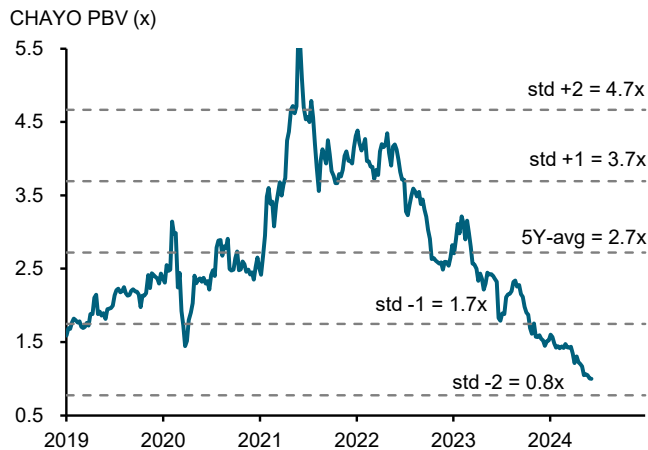
Sources: Bloomberg; FSSIA estimates

Exhibit 55: JMT – one-year prospective PER band



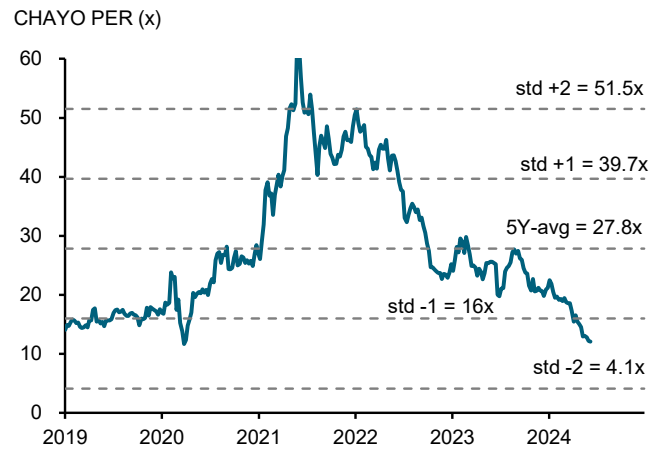
Sources: Bloomberg; FSSIA estimates

Exhibit 56: CHAYO – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

Exhibit 57: CHAYO – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 58: Peer comparisons, as of 5 June 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	147.00	170.00	16	11.3	10.7	1.4	1.3	12.8	12.6	3.7	3.9
Muangthai Capital	MTC TB	BUY	44.25	50.00	13	14.9	11.9	2.5	2.1	18.1	19.0	0.6	0.8
Krungthai Card	KTC TB	HOLD	45.75	46.00	1	15.4	14.7	3.0	2.7	20.3	19.0	2.9	3.1
Srisawad Corp	SAWAD TB	HOLD	39.75	40.00	1	11.0	9.7	1.9	1.6	18.4	18.2	1.0	1.0
Ngern Tid Lor	TIDLOR TB	BUY	19.90	27.00	36	12.4	10.4	1.8	1.6	15.4	16.2	2.4	2.9
JMT Network services	JMT TB	HOLD	15.20	19.00	25	12.7	10.8	0.8	0.8	6.5	7.4	4.7	5.5
Asia Sermkij Leasing	ASK TB	HOLD	14.80	18.00	22	8.9	7.7	0.7	0.7	8.1	9.1	6.7	6.5
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	8.35	8.75	5	15.2	14.2	0.6	0.6	4.1	4.3	4.5	4.6
Saksiam Leasing	SAK TB	HOLD	5.70	5.28	(7)	14.4	12.6	1.9	1.7	13.7	14.4	2.9	3.3
Chayo Group	CHAYO TB	HOLD	3.64	4.20	15	14.2	9.2	1.1	1.0	8.1	11.1	1.8	1.6
<b>Average</b>	<b>Average</b>					<b>13.1</b>	<b>11.2</b>	<b>1.6</b>	<b>1.4</b>	<b>12.5</b>	<b>13.1</b>	<b>3.5</b>	<b>3.3</b>

Sources: Bloomberg; FSSIA estimates

**BUY**

UNCHANGED

TARGET PRICE	THB50.00
CLOSE	THB44.25
UP/DOWNSIDE	+13.0%
PRIOR TP	THB50.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+1.6%

## Fewer concerns over credit costs

- MTC delivered an impressive 1Q24 net profit despite the low season due mainly to its better-than-expected credit cost.
- Asset quality was more solid in the NPLs, credit cost, and coverage ratio, prompting an upward revision of our 2024-26 forecasts.
- We maintain a BUY call with a 2024 TP of THB50.

### Impressive 1Q24 results despite the low season

The 1Q24 net profit beat our forecast and the Bloomberg consensus by 3-4%. Earnings grew by 2.8% q-q and 29.8% y-y, amounting to THB1.39b and accounting for 22% of our full-year net profit forecast. By contrast, PPOP dropped by 3.1% q-q but rose by 18.1% y-y due mainly to the low season for loan demand and higher operating expenses. Despite the low season, loans continued on the growth path and were better than expected at 3.0% q-q and 17.4% y-y. The loan spread was worse than expected in 1Q24, dropping by 41bp to 13.78% due mainly to a loan yield reduction, whereas the cost of funds rose minimally. The loan yield impact was due to fewer working days and a focus on secured loans. The cost-to-income ratio accelerated to 47.8% as expected due to operating expenses, which typically peak in 1Q owing to a rise in personnel expenses from annual salary adjustments and incentives.

### Improved asset quality indicated a lower credit cost

MTC reaffirmed that its asset quality improvement exceeded expectations, particularly the vintage NPLs from the Covid-19 period, which showed a continuous decline following its stringent lending policy since the beginning of 2023 and the aggressive NPL management via sales (THB900m vs THB1b in 4Q23) and writing off debts in 1Q24. Moreover, the collection showed positive progress due to improved branch efficiency after MTC put significant effort into debt collection in tandem with granting new loans, which helped contain new NPL formations. The NPL ratios from loan receivables (92% of total) – title loans and other unsecured loans – and hire-purchase receivables (8%) showed decreased figures compared to 4Q23.

### Loan growth momentum to drive 2024-26 net profit

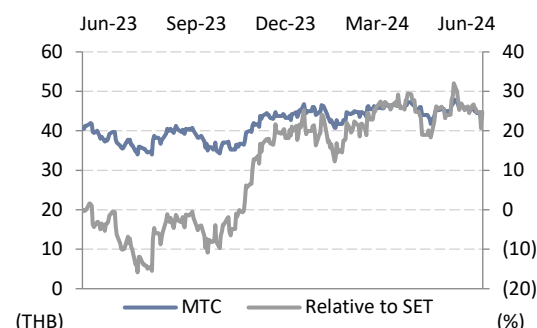
We expect 2024-26 net profit to grow by 23.1% CAGR, driven by average loan growth of 14.7-19.5% p.a. (from aggressive branch opening and improved branch efficiencies) and a lower credit cost. It should continually decline to an expected 2.67% in 2026, which could offset an expected stable loan spread at an average of 13.84-13.85%.

### Maintain a BUY call with a 2024 TP of THB50

We maintain our BUY rating. Our 2024 GGM-based TP is THB50, which implies a P/BV of 2.82x under an expected L-T ROE of 18.6% and COE of 10.0%.

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	6,126	7,866	9,822	11,448
Net profit	4,906	6,292	7,858	9,159
EPS (THB)	2.31	2.97	3.71	4.32
vs Consensus (%)	-	8.3	12.0	7.6
Recurring net profit	4,906	6,292	7,858	9,159
Core EPS (THB)	2.31	2.97	3.71	4.32
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(3.7)	28.2	24.9	16.6
Core P/E (x)	19.1	14.9	11.9	10.2
Dividend yield (%)	0.5	0.6	0.8	0.9
Price/book (x)	2.9	2.5	2.1	1.8
ROE (%)	16.1	18.1	19.0	18.7
ROA (%)	3.5	3.9	4.1	4.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(1.7)	(3.3)	7.3
Relative to country (%)	0.7	(1.8)	22.7
Mkt cap (USD m)	2,556		
3m avg. daily turnover (USD m)	10.9		
Free float (%)	21		
Major shareholder	Petaumpai Family (67%)		
12m high/low (THB)	48.50/33.75		
Issued shares (m)	2,120		

Sources: Bloomberg consensus; FSSIA estimates


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## Investment thesis

We have a BUY call for MTC with a more positive view of its asset quality, summarized as follows:

- 1) The declining trend of its NPL ratio and credit cost could prove its proactive debt management efforts to tackle the vintage bad debts and its prudent credit quality policy of granting new loans in 2023.
- 2) We view the higher cost of funds as contained, which could create an upside risk to our forecast in the case of an expected reduction in the market interest rate.
- 3) We expect 2024-26 net profit to grow by 23.1% CAGR, driven by average loan growth of 14.7-19.5% p.a. (from aggressive branch opening and improved branch efficiencies) and a lower credit cost.

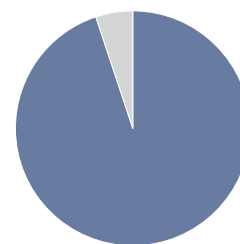
## Company profile

MTC has provided lending services since 1992, focusing on motorcycle title loans, and commands the highest market share in Thailand. The company has also expanded its business to personal and other title loans such as car, agricultural and land title loans.

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

## Principal activities (revenue, 1Q24)

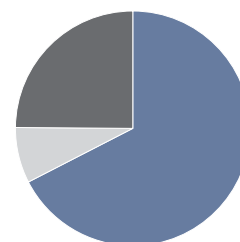
- Net interest income - 94.9 %
- Non-interest income - 5.1 %



Source: Muangthai Capital

## Major shareholders

- Petaumpai Family - 67.5 %
- Thai NVDR Co., Ltd. - 7.7 %
- Others - 24.9 %



Source: Muangthai Capital

## Catalysts

- 1) A faster-than-expected economic recovery in Thailand;
- 2) Government stimulus measures;
- 3) A stronger-than-expected improvement in asset quality;
- 4) Better-than-expected control over operating costs.

## Risks to our call

Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.

## Event calendar

Date	Event
Aug 2024	2Q24 result announcement

## Key assumptions

Key assumptions	2024E	2025E	2026E
Loan growth	19.55	16.58	14.68
Interest spread	13.84	13.85	13.85
NPL ratio	3.10	3.00	3.00
Credit cost	3.08	2.75	2.67
Cost to income	46.94	46.94	46.94

Source: FSSIA estimates

## Earnings sensitivity

----- 2024E -----				
Loan growth	±2ppt	17.55	19.55	21.55
% change in net profit		(1.3)		1.3
Interest spread (%)	±5bp	13.79	13.84	13.89
% change in net profit		(0.4)		0.4
Credit cost (bp)	±10bp	2.98	3.08	3.18
% change in net profit		2.0		(2.0)

Source: FSSIA estimates

## Exhibit 59: MTC – 1Q24 operation summary

	1Q23	2Q23	3Q23	4Q23	1Q24	----- Change -----		% of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	2024E	(THB m)	(y-y%)
Interest income	5,397	5,754	6,063	6,287	6,353	1.1	17.7	23	27,968	19.0
Interest expense	(848)	(909)	(1,004)	(1,096)	(1,130)	3.1	33.3	22	(5,240)	35.9
Net interest income	4,549	4,845	5,059	5,191	5,223	0.6	14.8	23	22,727	15.7
Fee and other income	233	287	236	269	278	3.3	18.9	25	1,096	6.8
Total income	4,783	5,132	5,295	5,459	5,500	0.7	15.0	23	23,823	15.3
Operating expenses	(2,352)	(2,463)	(2,391)	(2,496)	(2,630)	5.4	11.8	24	(11,182)	15.3
PPOP before taxes	2,431	2,669	2,904	2,963	2,870	(3.1)	18.1	23	12,641	15.3
Expected credit losses	(954)	(1,017)	(965)	(998)	(858)	(14.0)	(10.0)	22	(3,875)	(1.5)
Profit after ECL	1,477	1,653	1,939	1,965	2,012	2.4	36.3	23	8,766	24.6
Gain (loss) from repossessed cars	(112)	(183)	(334)	(278)	(276)	(0.8)	147.3	31	(900)	(0.7)
Operating profit	1,365	1,469	1,605	1,687	1,736	2.9	27.2	22	7,866	28.4
Income tax	(295)	(269)	(320)	(336)	(347)	3.2	17.5	22	(1,573)	29.0
<b>Net profit</b>	<b>1,070</b>	<b>1,200</b>	<b>1,285</b>	<b>1,351</b>	<b>1,389</b>	<b>2.8</b>	<b>29.8</b>	<b>22</b>	<b>6,292</b>	<b>28.2</b>
EPS (THB)	0.50	0.57	0.61	0.64	0.66	2.8	29.8	22	2.97	28.2
Loans	124,201	131,257	137,081	141,559	145,859	3.0	17.4		165,408	19.5
Interest bearing debt	98,536	106,327	112,329	114,770	116,820	1.8	18.6		134,775	17.4
<b>Key ratios</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>	<b>1Q24</b>				<b>2024E</b>	
	(%)	(%)	(%)	(%)	(%)				(%)	
Yield on loan	17.75	18.02	18.08	18.05	17.68				18.04	
Cost of funds	3.48	3.55	3.67	3.86	3.90				4.20	
Spread	14.26	14.47	14.40	14.19	13.78				13.84	
Cost to Income ratio	49.18	47.99	45.15	45.72	47.82				46.94	
Credit cost (incl. losses from repossessed cars)	3.50	3.76	3.87	3.66	3.16				3.08	
NPL / Loan	3.21	3.41	3.22	3.15	3.06				3.10	
LLR / Loan	3.37	3.58	3.55	3.65	3.70				2.99	
Coverage ratio	105.0	105.1	110.3	115.9	120.9				115.4	
D/E (x)	3.4	3.7	3.7	3.7	3.6				3.7	
IDBE (x)	3.3	3.6	3.7	3.6	3.5				3.6	
S/T debt/total debt (x)	4.9	5.3	7.7	11.1	11.6				5.3	
Loan growth q-q	4.3	5.7	4.4	3.3	3.0					
Loan growth y-y	27.5	23.6	21.1	18.9	17.4				19.5	
Loan growth YTD	4.3	10.2	15.1	18.9	3.0					

Sources: MTC; FSSIA's compilation

## Exhibit 60: 2024E – FSSIA estimates vs management guidance

	2023	FSSIA 2024E	MTC 2024E
Loan growth (y-y %)	18.2	19.5	15-20
NPL (%)	3.22	3.10	<3.20
Credit cost (%)	3.71	3.08	<3.50
Cost of funds (%)	3.66	4.20	4.00-4.20
Cost-to-income ratio (%)	46.9	46.9	46-47

Sources: MTC; FSSIA estimates

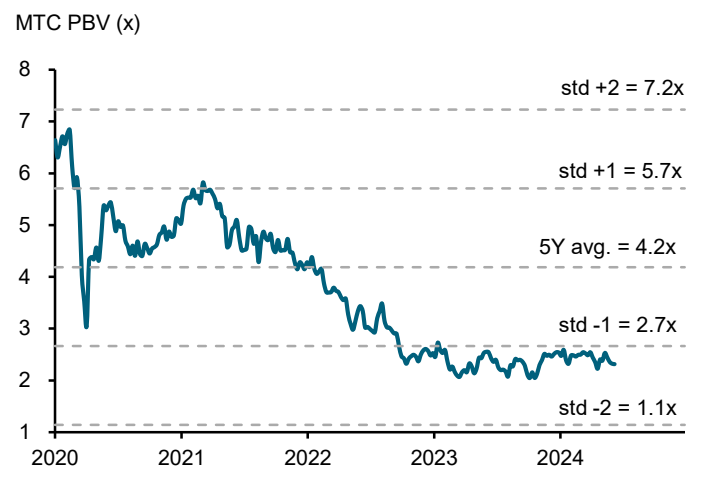
## Exhibit 61: GGM-based 2024 TP

Gordon Growth Model	2024E
Sustainable ROE	18.6%
g	5.3%
ROE-g	13.3%
Beta	1.17
Risk free rate	3.0%
Risk premium	6.0%
COE	10.0%
COE-g	4.7%
<b>ROE-g/COE-g (x)</b>	<b>2.82</b>

Source: FSSIA estimates

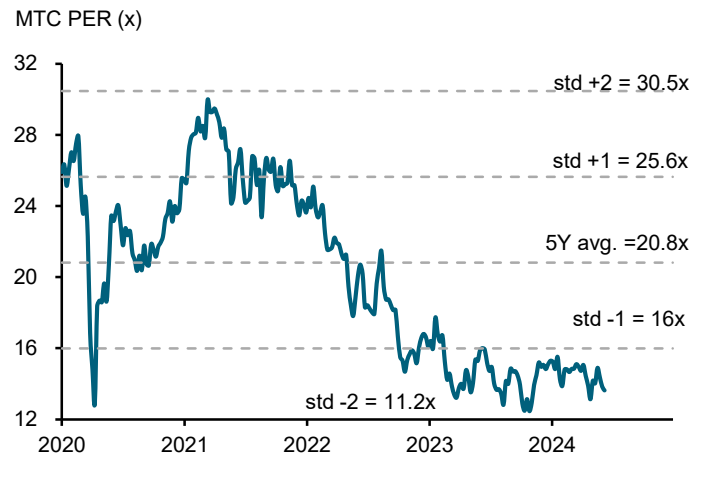


Exhibit 62: MTC – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

Exhibit 63: MTC – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Muangthai Capital

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	19,199	23,500	27,968	32,908	38,011
Interest expense	(2,813)	(3,857)	(5,240)	(6,102)	(6,990)
Net interest income	16,386	19,644	22,727	26,805	31,021
Net fees & commission	792	921	958	996	1,036
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	78	105	138	154	131
Non interest income	869	1,026	1,096	1,150	1,167
Total income	17,255	20,669	23,823	27,955	32,188
Staff costs	(8,069)	(9,702)	(11,182)	(13,122)	(15,109)
Other operating costs	-	-	-	-	-
Operating costs	(8,069)	(9,702)	(11,182)	(13,122)	(15,109)
Pre provision operating profit	9,187	10,967	12,641	14,833	17,079
Expected credit loss	(2,433)	(3,934)	(3,875)	(4,011)	(4,632)
Other provisions	(394)	(907)	(900)	(1,000)	(999)
Operating profit	6,360	6,126	7,866	9,822	11,448
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	6,360	6,126	7,866	9,822	11,448
Tax	(1,267)	(1,220)	(1,573)	(1,964)	(2,290)
Profit after tax	5,093	4,906	6,292	7,858	9,159
Non-controlling interest	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	5,093	4,906	6,292	7,858	9,159
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	5,093	4,906	6,292	7,858	9,159
<b>Per share (THB)</b>					
Recurring EPS *	2.40	2.31	2.97	3.71	4.32
Reported EPS	2.40	2.31	2.97	3.71	4.32
DPS	0.95	0.21	0.27	0.34	0.39
<b>Growth</b>					
Net interest income (%)	25.4	19.9	15.7	17.9	15.7
Non interest income (%)	3.1	18.0	6.8	5.0	1.5
Pre provision operating profit (%)	32.2	19.4	15.3	17.3	15.1
Operating profit (%)	2.6	(3.7)	28.4	24.9	16.6
Reported net profit (%)	3.0	(3.7)	28.2	24.9	16.6
Recurring EPS (%)	3.0	(3.7)	28.2	24.9	16.6
Reported EPS (%)	3.0	(3.7)	28.2	24.9	16.6
<b>Income Breakdown</b>					
Net interest income (%)	95.0	95.0	95.4	95.9	96.4
Net fees & commission (%)	4.6	4.5	4.0	3.6	3.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.5	0.5	0.6	0.6	0.4
<b>Operating performance</b>					
Gross interest yield (%)	18.30	18.03	18.04	18.05	18.05
Cost of funds (%)	3.36	3.66	4.20	4.20	4.20
Net interest spread (%)	14.94	14.37	13.84	13.85	13.85
Net interest margin (%)	15.6	15.1	14.7	14.7	14.7
Cost/income(%)	46.8	46.9	46.9	46.9	46.9
Cost/assets(%)	7.1	7.0	6.8	6.9	6.8
Effective tax rate (%)	19.9	19.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	39.5	9.1	9.1	9.1	9.1
ROE (%)	18.9	16.1	18.1	19.0	18.7
ROE - COE (%)	8.1	5.3	7.3	8.2	7.9
ROA (%)	4.5	3.5	3.9	4.1	4.2
RORWA (%)	-	-	-	-	-

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

Sources: Muangthai Capital; FSSIA estimates

## Financial Statements

### Muangthai Capital

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	119,084	141,559	168,453	196,190	224,908
Allowance for expected credit loss	(3,686)	(5,169)	(4,948)	(5,693)	(6,547)
interest in suspense	1,675	1,969	2,363	2,765	3,180
<b>Net customer loans</b>	<b>117,073</b>	<b>138,359</b>	<b>165,868</b>	<b>193,262</b>	<b>221,541</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	3,213	2,822	1,347	1,540	2,122
Other interesting assets	-	-	-	-	-
Tangible fixed assets	2,037	2,134	2,348	2,582	2,840
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	5,743	6,841	7,411	8,473	9,699
<b>Total assets</b>	<b>128,066</b>	<b>150,156</b>	<b>176,514</b>	<b>205,428</b>	<b>235,801</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	96,143	114,770	134,775	155,806	177,032
Non interest bearing liabilities	2,833	3,469	4,046	4,740	5,581
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>98,976</b>	<b>118,239</b>	<b>138,821</b>	<b>160,547</b>	<b>182,613</b>
Share capital	2,120	2,120	2,120	2,120	2,120
Reserves	26,971	29,797	35,573	42,761	51,068
<b>Total equity</b>	<b>29,091</b>	<b>31,917</b>	<b>37,693</b>	<b>44,881</b>	<b>53,188</b>
Non-controlling interest	-	-	-	-	-
<b>Total liabilities &amp; equity</b>	<b>128,066</b>	<b>150,156</b>	<b>176,514</b>	<b>205,428</b>	<b>235,801</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	104,892	130,321	155,006	182,321	210,549
Average interest bearing liabilities	83,734	105,456	124,772	145,291	166,419
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)	3,507	4,461	4,289	4,962	5,785
<b>Per share (THB)</b>					
Book value per share	13.72	15.06	17.78	21.17	25.09
Tangible book value per share	13.72	15.06	17.78	21.17	25.09
<b>Growth</b>					
Gross customer loans	31.3	18.9	19.0	16.5	14.6
Average interest earning assets	30.5	24.2	18.9	17.6	15.5
Total asset (%)	30.2	17.2	17.6	16.4	14.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	22.7	21.3	21.4	21.8	22.6
Tangible equity/assets (%)	22.7	21.3	21.4	21.8	22.6
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	174.8	27.2	(3.9)	15.7	16.6
NPL/gross loans (%)	2.9	3.2	2.5	2.5	2.6
Allowance for ECL/gross loans (%)	3.1	3.7	2.9	2.9	2.9
Allowance for ECL/NPL (%)	105.1	115.9	115.4	114.7	113.2
<b>Valuation</b>					
Recurring P/E (x) *	18.4	19.1	14.9	11.9	10.2
Recurring P/E @ target price (x) *	20.8	21.6	16.8	13.5	11.6
Reported P/E (x)	18.4	19.1	14.9	11.9	10.2
Dividend yield (%)	2.1	0.5	0.6	0.8	0.9
Price/book (x)	3.2	2.9	2.5	2.1	1.8
Price/tangible book (x)	3.2	2.9	2.5	2.1	1.8
Price/tangible book @ target price (x)	3.6	3.3	2.8	2.4	2.0

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

Sources: Muangthai Capital; FSSIA estimates

# NGERN TID LOR TIDLOR TB

## THAILAND / FINANCE & SECURITIES

**BUY**  
 UNCHANGED

## Continued growth momentum in 2024

- We expect a q-q recovery in 1Q24E but a flat PPOP despite a low season.
- Asset quality should be manageable with a relatively stable NPL ratio but a lower coverage ratio.
- Maintain BUY with a 2024 TP of THB27.

### Solid 1Q24 profit growth from loan expansion and lower OPEX

TIDLOR's net profit growth is a significant achievement, with a reported 1Q24 net profit of THB1.1b. This represents robust 22.5% q-q and 15.6% y-y growth, surpassing our estimate and the Bloomberg consensus by 5.7% and accounting for 22% of our full-year net profit estimate. PPOP increased by 2.8% q-q and 19.3% y-y in 1Q24, amounting to THB2.2b due mainly to a continued loan expansion by 2.8% q-q and 20.8% y-y, matching management's guidance of 10-20% y-y. The loan spread was in line with expectations, decreasing by 14bp to 14.80%. Although the cost of funds of 3.17% was lower than our estimate, the loan yield was also lower than our prediction, following its seasonal effect. Fee income moved in line with our estimate (down 9.7% q-q but up 21.3% y-y), with revenue from the insurance brokerage business growing by 22.9% y-y in the quarter, on track with TIDLOR's target. The cost-to-income ratio finished at 54.1%, down from 55.1% in 4Q23.

### Continued positive progress in asset quality

TIDLOR's 1Q24 asset quality showed moderately higher pressure, as the NPL ratio (both loans and HP receivables, particularly the truck segment) finished at 1.63%, up from 1.47% at the end of 2023, aligning with the company's 2024 guidance of 1.40-1.80%. TIDLOR disclosed that the impact was from the debt forbearance expiration, for which the company had suspended assistance since 2023. However, TIDLOR foresees that the trend could finish in 1H24. The 1Q24 credit cost of 3.33% was in line with our estimate. Accordingly, the coverage ratio dropped from 282% by the end of 2023 to 264% due to higher NPLs. However, the proportion of its stage 2 loans remained stable at 16.5%.

### Maintain 2024-26E earnings

We retain our 2024-26E earnings, with an expected net profit growth of 19.9% CAGR over a 15%-CAGR loan growth, aligning with the continued expansion of 50 branches during 2023 and a target of 100 new ones in 2024. In addition, TIDLOR has one crucial driver from an anticipated growth of c18% p.a. in the non-life insurance brokerage business and a continued reduction in credit cost.

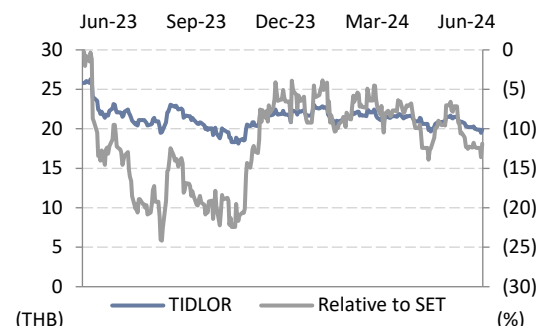
### Maintain our BUY call with a 2024 TP of THB27

We reaffirm our BUY recommendation. Our 2024 GGM-based TP is THB27, implying a 2.39x P/BV (LT-ROE of 15.5% and COE of 10.2%).

TARGET PRICE	THB27.00
CLOSE	THB19.90
UP/DOWNSIDE	+35.7%
PRIOR TP	THB27.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+6.0%

### KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	4,744	5,839	6,938	8,086
Net profit	3,790	4,671	5,551	6,469
EPS (THB)	1.35	1.60	1.91	2.22
vs Consensus (%)	-	3.9	3.5	3.1
Recurring net profit	3,790	4,671	5,551	6,469
Core EPS (THB)	1.35	1.60	1.91	2.22
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	(7.4)	18.8	18.8	16.5
Core P/E (x)	14.7	12.4	10.4	9.0
Dividend yield (%)	2.0	2.4	2.9	3.4
Price/book (x)	2.0	1.8	1.6	1.4
ROE (%)	14.1	15.4	16.2	16.7
ROA (%)	4.1	4.3	4.5	4.6



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.4)	(6.6)	(23.6)
Relative to country (%)	(5.3)	(5.2)	(12.6)
Mkt cap (USD m)	1,523		
3m avg. daily turnover (USD m)	6.2		
Free float (%)	21		
Major shareholder	Bank of Ayudhya (30%)		
12m high/low (THB)	26.52/17.94		
Issued shares (m)	2,809		

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

We reiterate our BUY call on TIDLOR at the current price due to:

1) Leadership and professionalism in the vehicle title loan business, distinguishing TIDLOR from its competitors (MTC and SAWAD). Also, technology-intensive investment coupled with branch expansion helps generate positive results in its branch performance over competitors (both loans and net profit per branch).

2) Insurance brokerage business, which offers another source of high-margin income, supports growth and diversifies long-term risks.

3) Asset quality that bottomed out in 2Q23 due mainly to proactive and efficient NPL management and the highest coverage ratio relative to peers.

### Company profile

TIDLOR, founded in October 2006, is a non-bank financial services provider and an operator of technology-enabled, inclusive financial services. The company offers a full suite of vehicle title loans (motorcycles, cars, pickup trucks and tractors), hire-purchase financing for used trucks, and insurance brokerages services under the brand "Ngern Tid Lor".

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

### Principal activities (revenue, 1Q24)

■ Net interest income - 80.3 %

■ Non-interest income - 19.7 %

Source: Ngern Tid Lor

### Major shareholders

■ Bank of Ayudhya - 30.0 %

■ Siam Asia Credit Access PTE Ltd - 20.1 %

■ Others - 49.9 %

Source: Ngern Tid Lor

Catalysts

- 5) A faster-than-expected economic recovery in Thailand;
- 6) government stimulus;
- 7) Higher-than-expected growth of non-life insurance premiums.

Risks to our call

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.

Event calendar

Date	Event
Aug 2024	2Q24 result announcement

Key assumptions

	2024E	2025E	2026E
Net profit (THB m)	4,671	5,551	6,469
Net profit growth (%)	15.61	14.48	14.46
Spread (%)	15.28	15.33	15.26
Loan growth (%)	16.12	13.84	13.95
Net interest income growth (%)	22.32	15.44	13.58
Fee growth (%)	17.83	18.00	18.00
NPL ratio (%)	1.53	1.49	1.47
Credit cost (%)	3.29	3.17	3.08
Cost to income (%)	55.50	55.50	55.50

Source: FSSIA estimates

Earnings sensitivity

----- 2024E -----				
Loan growth	±2ppt	14.12	16.12	18.12
		(1)		1
Spread (%)	±10bp	15.18	15.28	15.38
		(1)		1
Credit cost (bp)	±10bp	319	329	339
		2		(2)

Source: FSSIA estimates

## Positive view on the restructuring plan

TIDLOR disclosed a resolution of the board of directors meeting approved to propose to the shareholder meeting to approve the plan to restructure the shareholding and management structure (11 Jun 2024) by establishing a holding company, Tid Lor Holdings Plc., to support long-term growth.

The objective is to increase flexibility in lending and insurance brokerage businesses, improve business competitiveness, expand to other related companies, increase business partnership opportunities through mergers and acquisitions, and effectively manage and limit various enterprise risks. TIDLOR also plans to establish a new company under the holding company to increase flexibility in defining business strategies and business operations related to the non-life insurance brokerage business in the form of an InsurTech Platform.

Currently, TIDLOR uses online insurance sales platform technology (Areegator) as a tool for independent insurance brokers to access their insurance sales management system professionally. There is also a digital insurance brokerage platform (heygoody) created for retail customers who want to compare and choose insurance for themselves through online channels.

**Procedure:** Tid Lor Holdings Plc. is to make a tender offer (Tender Offer: TO) for all shares to TIDLOR shareholders by exchanging shares equal to one existing common share of TIDLOR for one ordinary share of Tid Lor Holdings Plc. The new transaction of Tid Lor Holdings PCL is expected to occur during 2H24 (24-45 business days). After making TO, Tid Lor Holdings will be listed on the SET instead of the original TIDLOR, which will be delisted from being a listed security on the SET on the same day (expected to be around 4Q24).

In addition, TIDLOR will transfer its general insurance brokerage business in the InsurTech format to the new company. After the transfer of business related to its insurance brokerage business in the form of InsurTech, Tid Lor Holdings will hold 99.99% of the shares in the new company in order to separate a new business with operating characteristics that differ from the original TIDLOR.

We have a favorable view of TIDLOR's business restructuring plan. However, it will not significantly impact our forecast over the next 1-2 years due to the business of TIDLOR, which is the main income contributor for the group, focusing on vehicle title loans under the brand "Ngern Tid Lor" (82% of total revenues) and insurance brokerage business through branch channels under the brand "Shield Insurance" (18% of total revenue). In this regard, the long-term increment of TIDLOR's business value will depend on the new business, insurance brokerage companies in the form of InsurTech, and other new units. Moreover, the expected spin-off plan to list on the SET has yet to be included in our 2024-26 forecast.

Regarding the trend of dividend payments, Tid Lor Holdings will offer cash dividends rather than the stock dividend that TIDLOR used to pay, with the dividend payout ratio remaining at not less than 20% (we expect an average of 30% p.a.).

### Exhibit 64: TIDLOR – 1Q24 operation summary

	1Q23	2Q23	3Q23	4Q23	1Q24	----- Change -----		% of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	24E	(THB m)	(y-y%)
Interest income	3,567	3,744	4,000	4,233	4,374	3.3	22.6	23	19,067	22.7
Interest expense	(395)	(426)	(484)	(537)	(557)	3.7	40.9	24	(2,305)	25.2
Net interest income	3,172	3,317	3,517	3,696	3,818	3.3	20.3	23	16,761	22.3
Fee income	760	777	822	1,021	922	(9.7)	21.3	23	3,983	17.8
Other income	18	9	11	9	13	47.0	(26.3)	33	40	(15.1)
Total income	3,950	4,103	4,351	4,726	4,752	0.6	20.3	23	20,784	21.3
Operating expenses	(2,120)	(2,270)	(2,409)	(2,602)	(2,569)	(1.3)	21.2	22	(11,535)	22.7
Pre-provision operating profit	1,831	1,833	1,941	2,124	2,183	2.8	19.3	24	9,249	19.7
Expected credit loss	(635)	(670)	(681)	(1,000)	(809)	(19.1)	27.5	24	(3,410)	14.2
Profit after ECL	1,196	1,164	1,260	1,124	1,374	22.2	14.9	24	5,839	23.1
Operating profit	1,196	1,164	1,260	1,124	1,374	22.2	14.9	24	5,839	23.1
Income tax	(241)	(236)	(253)	(223)	(270)	21.1	12.1	23	(1,168)	22.5
<b>Net profit</b>	<b>955</b>	<b>927</b>	<b>1,007</b>	<b>901</b>	<b>1,104</b>	<b>22.5</b>	<b>15.6</b>	<b>24</b>	<b>4,671</b>	<b>23.2</b>
EPS (THB)	0.34	0.33	0.36	0.32	0.39	22.5	15.6	25	1.60	18.8
NPL	1,247	1,344	1,391	1,412	1,607	13.8	28.8		1,704	20.7
Loans	81,693	85,882	90,506	96,020	98,666	2.8	20.8		111,500	16.1
Interest bearing debt	59,872	61,527	64,664	68,980	71,460	3.6	19.4		79,750	15.6
<b>Key ratios</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>	<b>1Q24</b>					<b>2024E</b>
	(%)	(%)	(%)	(%)	(%)					(THB m)
Yield on loan	17.66	17.87	18.14	18.16	17.97					18.38
Cost of funds	2.71	2.81	3.07	3.21	3.17					3.10
Spread	14.95	15.06	15.08	14.94	14.80					15.28
Cost to income	53.66	55.32	55.38	55.06	54.06					55.50
Credit cost	3.14	3.20	3.09	4.29	3.33					3.29
NPL / Loan	1.53	1.56	1.54	1.47	1.63					1.53
LLR / Loan	4.12	4.16	4.06	4.15	4.30					3.97
Coverage ratio	269.7	266.0	264.4	282.1	264.1					259.6
D/E (x)	2.4	2.4	2.4	2.5	2.5					2.5
IBD/E (x)	2.3	2.3	2.3	2.4	2.4					2.5
IBD/Total debt (%)	95.8	96.4	96.6	96.2	96.2					96.9
S/T debt/IBD (%)	34.0	37.5	35.6	47.5	43.2					39.6
Loan growth q-q	2.2	5.1	5.4	6.1	2.8					
Loan growth y-y	26.6	23.7	21.4	20.2	20.8					16.1
Loan growth YTD	2.2	7.5	13.3	20.2	2.8					

Sources: TIDLOR, FSSIA estimates

### Exhibit 65: 2024E – FSSIA estimates vs. management guidance

	2023	FSSIA 2024E	TIDLOR 2024E
Loan growth (%)	20.2%	16.1%	10-20%
Non-life insurance premium growth (%)	8,700	10,179	10-20%
NPL ratio (%)	1.47%	1.53%	1.40-1.80%
Credit cost (%)	3.39%	3.29%	3.00-3.50%
Cost to income (%)	54.9%	55.5%	mid 50%

Sources: TIDLOR; FSSIA estimates

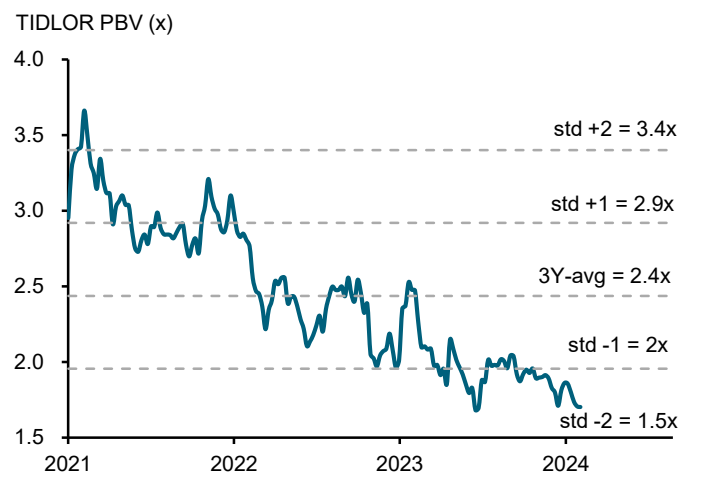
### Exhibit 66: GGM-based 2024 TP

Gordon Growth Model	2024E
Sustainable ROE	15.5%
g	6.4%
ROE-g	9.1%
Beta	1.20
Risk free rate	3.0%
Risk premium	6.0%
COE	10.2%
COE-g	3.8%
<b>ROE-g/COE-g (P/BV)</b>	<b>2.39</b>
BVS	11.22
<b>Fair value</b>	<b>27.0</b>

Source: FSSIA estimates

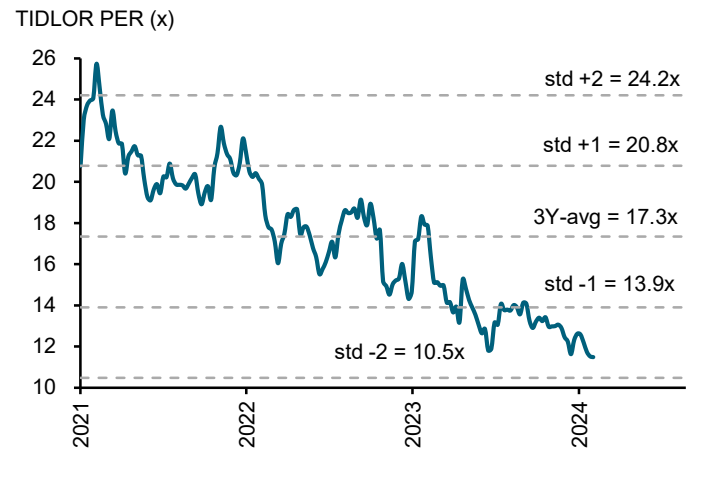


Exhibit 67: TIDLOR – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

Exhibit 68: TIDLOR – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

## Financial Statements

Ngern Tid Lor

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	12,532	15,545	19,067	22,085	25,207
Interest expense	(1,235)	(1,842)	(2,305)	(2,737)	(3,231)
Net interest income	11,297	13,703	16,761	19,349	21,976
Net fees & commission	2,710	3,380	3,983	4,700	5,546
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	32	47	40	40	40
Non interest income	2,742	3,427	4,023	4,740	5,586
Total income	14,039	17,130	20,784	24,088	27,562
Staff costs	(7,923)	(9,401)	(11,535)	(13,369)	(15,297)
Other operating costs	-	-	-	-	-
Operating costs	(7,923)	(9,401)	(11,535)	(13,369)	(15,297)
Pre provision operating profit	6,116	7,729	9,249	10,719	12,265
Expected credit loss	(1,583)	(2,986)	(3,410)	(3,781)	(4,179)
Other provisions	0	0	0	0	0
Operating profit	4,533	4,744	5,839	6,938	8,086
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	4,533	4,744	5,839	6,938	8,086
Tax	(893)	(953)	(1,168)	(1,388)	(1,617)
Profit after tax	3,640	3,790	4,671	5,551	6,469
Non-controlling interest	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,640	3,790	4,671	5,551	6,469
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	3,640	3,790	4,671	5,551	6,469
<b>Per share (THB)</b>					
Recurring EPS *	1.46	1.35	1.60	1.91	2.22
Reported EPS	1.46	1.35	1.60	1.91	2.22
DPS	0.75	0.41	0.48	0.57	0.67
<b>Growth</b>					
Net interest income (%)	29.8	21.3	22.3	15.4	13.6
Non interest income (%)	23.4	25.0	17.4	17.8	17.8
Pre provision operating profit (%)	40.0	26.4	19.7	15.9	14.4
Operating profit (%)	14.7	4.6	23.1	18.8	16.5
Reported net profit (%)	14.9	4.1	23.2	18.8	16.5
Recurring EPS (%)	6.7	(7.4)	18.8	18.8	16.5
Reported EPS (%)	6.7	(7.4)	18.8	18.8	16.5
<b>Income Breakdown</b>					
Net interest income (%)	80.5	80.0	80.6	80.3	79.7
Net fees & commission (%)	19.3	19.7	19.2	19.5	20.1
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.2	0.3	0.2	0.2	0.1
<b>Operating performance</b>					
Gross interest yield (%)	17.87	17.67	18.38	18.53	18.56
Cost of funds (%)	2.51	2.93	3.10	3.20	3.30
Net interest spread (%)	15.36	14.74	15.28	15.33	15.26
Net interest margin (%)	16.1	15.6	16.2	16.2	16.2
Cost/income(%)	56.4	54.9	55.5	55.5	55.5
Cost/assets(%)	10.5	10.2	10.7	10.9	11.0
Effective tax rate (%)	19.7	20.1	20.0	20.0	20.0
Dividend payout on recurring profit (%)	51.8	30.2	30.2	30.2	30.2
ROE (%)	15.2	14.1	15.4	16.2	16.7
ROE - COE (%)	4.4	3.3	4.6	5.4	5.9
ROA (%)	4.8	4.1	4.3	4.5	4.6
RORWA (%)	-	-	-	-	-

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

Sources: Ngern Tid Lor; FSSIA estimates

## Financial Statements

Ngern Tid Lor

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	79,898	96,020	111,500	126,928	144,640
Allowance for expected credit loss	(3,199)	(3,981)	(4,425)	(4,957)	(5,628)
interest in suspense	1,367	1,436	1,695	1,949	2,242
<b>Net customer loans</b>	<b>78,067</b>	<b>93,475</b>	<b>108,770</b>	<b>123,921</b>	<b>141,253</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	2,191	1,656	689	742	781
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,686	1,623	1,704	1,789	1,878
Associates	-	-	-	-	-
Goodwill	294	294	300	300	300
Other intangible assets	257	252	255	258	260
Other assets	2,232	2,848	2,930	3,370	3,888
<b>Total assets</b>	<b>84,727</b>	<b>100,148</b>	<b>114,648</b>	<b>130,379</b>	<b>148,361</b>
Customer deposits	3,600	6,643	6,000	6,000	6,000
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	53,013	62,337	73,750	85,300	98,500
Non interest bearing liabilities	2,692	2,745	2,583	2,687	2,801
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>59,305</b>	<b>71,724</b>	<b>82,333</b>	<b>93,987</b>	<b>107,301</b>
Share capital	9,240	10,395	10,780	10,780	10,780
Reserves	16,182	18,028	21,535	25,612	30,279
<b>Total equity</b>	<b>25,422</b>	<b>28,424</b>	<b>32,315</b>	<b>36,393</b>	<b>41,059</b>
Non-controlling interest	0	0	0	0	0
<b>Total liabilities &amp; equity</b>	<b>84,727</b>	<b>100,148</b>	<b>114,648</b>	<b>130,379</b>	<b>148,361</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	70,118	87,959	103,760	119,214	135,784
Average interest bearing liabilities	49,254	62,796	74,365	85,525	97,900
CET 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	1,285	1,412	1,704	1,892	2,122
<b>Per share (THB)</b>					
Book value per share	10.18	10.12	11.09	12.49	14.09
Tangible book value per share	9.96	9.92	10.90	12.30	13.90
<b>Growth</b>					
Gross customer loans	32.4	20.2	16.1	13.8	14.0
Average interest earning assets	26.2	25.4	18.0	14.9	13.9
Total asset (%)	27.4	18.2	14.5	13.7	13.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	9.1	84.5	(9.7)	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	2,168.5	1,407.1	1,812.8	2,065.3	2,354.2
Equity/assets (%)	30.0	28.4	28.2	27.9	27.7
Tangible equity/assets (%)	29.4	27.8	27.7	27.5	27.3
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	75.5	9.8	20.7	11.0	12.1
NPL/gross loans (%)	1.6	1.5	1.5	1.5	1.5
Allowance for ECL/gross loans (%)	4.0	4.1	4.0	3.9	3.9
Allowance for ECL/NPL (%)	248.9	282.1	259.6	261.9	265.3
<b>Valuation</b>					
Recurring P/E (x) *	13.7	14.7	12.4	10.4	9.0
Recurring P/E @ target price (x) *	18.5	20.0	16.8	14.2	12.2
Reported P/E (x)	13.7	14.7	12.4	10.4	9.0
Dividend yield (%)	3.8	2.0	2.4	2.9	3.4
Price/book (x)	2.0	2.0	1.8	1.6	1.4
Price/tangible book (x)	2.0	2.0	1.8	1.6	1.4
Price/tangible book @ target price (x)	2.7	2.7	2.5	2.2	1.9

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

Sources: Ngern Tid Lor; 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><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="2">Average:</td><td rowspan="2">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><td rowspan="2">Laggard:</td><td rowspan="2">lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr><tr><td>CCC</td><td>0.000-1.428</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	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	CCC	0.000-1.428
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																					
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BB	2.857-4.285																					
B	1.429-2.856	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
CCC	0.000-1.428																					
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

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

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

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Company	Ticker	Price	Rating	Valuation & Risks
Muangthai Capital	MTC TB	THB 44.25	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 19.90	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 147.00	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 45.75	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.
Srisawad Corp	SAWAD TB	THB 39.75	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.
JMT Network Services	JMT TB	THB 15.20	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
Asia Sermkij Leasing PCL	ASK TB	THB 14.80	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) downtrend of policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
Bangkok Commercial Asset Mngt.	BAM TB	THB 8.35	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 5.70	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.
Chayo Group	CHAYO TB	THB 3.64	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.

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 5-Jun-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.