FINANSIA
FSS INTERNATIONAL INVESTMENT ADVISORY

EQUITY RESEARCH - INITIATION REPORT

RATCHTHANI LEASING   THANI TB

THAILAND / FINANCE & SECURITIES

HOLD

A rough road to recovery

- The truck industry's outlook for 2024 remains dull, and government budget spending is a closely monitored issue.
- Expect 2Q24 net profit to drop q-q and y-y in the low season, while 2024 operations should remain sluggish.
- We initiate coverage on THANI with a HOLD call at TP of THB2.28.

TARGET PRICE	**THB2.28**
CLOSE	**THB2.16**
UP/DOWNSIDE	**+5.6%**
TP vs CONSENSUS	**-9.7%**

Truck industry recovery will still take time

The 2024 outlook of the Thai hire-purchase (HP) truck industry continues to suffer due mainly to slower government spending and declining trade activity, which has led to sluggish logistic truck demand despite signs of a potential recovery in 1Q24. The truck sales volume dived 26.1% y-y for the quarter, especially for new trucks, but there was stable demand for used trucks. Used truck prices finished lower by 22.0% y-y, suggesting soft demand and high foreclosed truck inventories. However, the industry believes that used truck prices have bottomed out since 4Q23, while the increase in government budget spending should be a turning point this round.

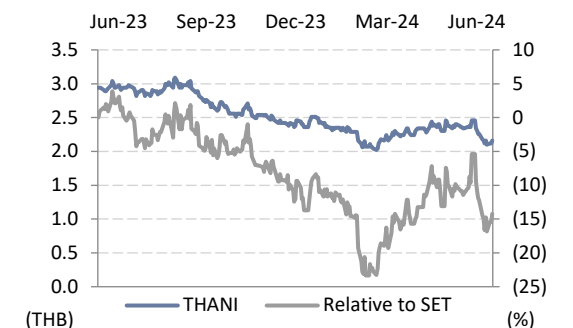## Asset quality protection outweighs credit expansion in 2024

THANI is a major truck HP lender, with its 2023 market share of new loans at c25%. THANI achieved a net profit CAGR of 9.3% (2018-22), supported by a loan CAGR of 5.8% in the same period. In 2023, net profit sharply declined by 26.6% y-y over an all-time high credit cost of 1.95%. Accordingly, the NPL ratio finished at 3.19% in 2023, representing a four-year high and a lower coverage ratio. In 1Q24, THANI posted THB343m in net profit (up 112.9% q-q, but fell 23.8% y-y), pushed by a lower credit cost of 1.33%, which exhibited a sharp q-q decline from 2.83% in 4Q23. However, its core operations remained muted as its strict lending policy led to a loan contraction (down 3.5% q-q and 4.7% y-y in 1Q24).

2Q24E profit to decline with a rise in ECLs and a drop in spreads

We expect THANI's 2Q24 net profit to finish at THB319m, decreasing by 6.9% q-q and 24.8% y-y. The critical drags are the expected rising credit costs and a contraction in loan spreads amid fragile loan growth. In all, the expected 1H24 net profit could plunge by 24.3% y-y, amounting to THB663m, and account for 49% of our 2024 net profit forecast, mainly due to rising credit costs estimated at 1.44% from 1.20% in 1H23.

Initiate with a HOLD call at a 2024 TP of THB2.28

We initiate our coverage on THANI with a GGM-based 2024 TP of THB2.28, implying a P/BV ratio of 1.02x (LT ROE 10.1%, COE 10.0%), offering a limited upside. Therefore, we have a HOLD call for THANI and an Underweight outlook for the HP truck industry. We see its 2024-26E dividend yield at an attractive range of c5-6% p.a.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	1,641	1,680	1,782	1,899
Net profit	1,287	1,344	1,425	1,519
EPS (THB)	0.23	0.22	0.23	0.24
vs Consensus (%)	-	4.8	(9.4)	(14.3)
Recurring net profit	1,287	1,344	1,425	1,519
Core EPS (THB)	0.23	0.22	0.23	0.24
EPS growth (%)	(26.6)	(2.2)	2.9	6.6
Core P/E (x)	9.5	9.7	9.4	8.9
Dividend yield (%)	0.9	5.7	5.8	6.2
Price/book (x)	1.0	1.0	0.9	0.9
ROE (%)	10.3	10.1	10.0	10.1
ROA (%)	2.4	2.5	2.6	2.6

Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(10.0)	(5.3)	(27.6)
Relative to country (%)	(4.6)	0.5	(13.5)
Mkt cap (USD m)			367
3m avg. daily turnover (USD m)			0.5
Free float (%)			41
Major shareholder		Thanachart SPV1 Co., LTD (57%)	
12m high/low (THB)			3.15/2.00
Issued shares (m)			5,663

Sources: Bloomberg consensus; FSSIA estimates

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Investment thesis

We have a HOLD recommendation for THANI over:

- We have a soft outlook for the hire-purchase truck industry, as companies' asset quality should not unwind rapidly over a backdrop of delayed government spending, soft export/import performance, and declining farm income.

- Regarding THANI's unfavorable landscape, we expect it to focus on proactive asset quality management, while the new lending volume is likely to decline sharply y-y, pressuring loan growth and revenue performance. Therefore, our projections suggest 2024-26 bottom-line growth of 5.7% CAGR, lower than its LT average of 9.3% CAGR.

- Our GGM-based 2024 TP of THB2.28, implying a P/BV ratio of 1.02x (LT ROE 10.1%, COE 10.0%) offers a limited upside to the current share price. However, we expect THANI to deliver a 2024-26 dividend yield at an attractive range of c5-6%.
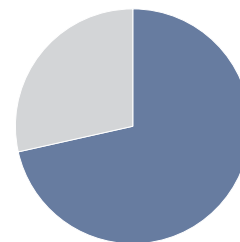
Company profile

Main businesses of the company are hire purchase loans, targeting new and used trucks, and financial leasing, as well as services related to its core businesses.

www.ratchthani.com

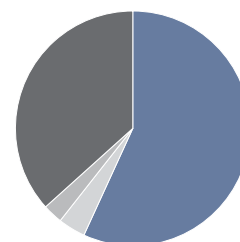## Principal activities (revenue, 1Q24)

- Net interest income - 71.5 %

- Non-interest income - 28.5 %

Source: Ratchthani Leasing

Major shareholders

- Thanachart SPV1 Co., LTD - 56.8 %
- Thanachart Capital PCL - 3.8 %
- C.S.B. DRUG FACTORY CO.,LTD. - 2.7 %
- Others - 36.7 %

Source: Ratchthani Leasing

Catalysts

1. Better-than-expected new loan bookings and loan growth.
2. Better-than-expected improvement in asset quality.
3. Lower-than-expected credit cost and losses on NPA sales.
4. Increase in the average price of trucks.

Risks to our call

Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) a downtrend in the policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster than-expected decline in ECL expenses.

Event calendar

Date	Event
Aug 2024	2Q24 results announcement

Key assumptions

	2024E	2025E	2026E
	(THB m)	(THB m)	(THB m)
Net profit	1,344	1,425	1,519
Growth (y-y %)	*4.4*	*6.0*	*6.6*
Loan receivables	51,989	55,253	58,752
Growth (y-y %)	*(3.8)*	*6.3*	*6.3*
Cost-to-income (%)	22.6	22.7	22.3
Credit cost (bp)	160	150	150
Interest spread (%)	3.70	3.66	3.66

Source: FSSIA estimates

Earnings sensitivity

		------------------ 2024E --------------------		
Loan growth (%)	**±1ppt**	(4.8)	(3.8)	(2.8)
% change in net profit		*(0.5)*	*-*	*0.5*
Interest spread (%)	**±5bp**	3.65	3.70	3.75
% change in net profit		*(1.5)*	*-*	*1.5*
Credit cost (%)	**±10bp**	150	160	170
% change in net profit		*3.1*	*-*	*(3.1)*

Source: FSSIA estimates

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Truck industry recovery will still take time

Typically, truck demand moves in parallel with the domestic economy, whose growth aligns with the five major sectors: petroleum, agriculture, foreign trade, construction, and consumer products.

The average growth of the domestic economy prior to Covid-19 (2009-19) at 3.6% CAGR was met by truck demand growth at 4.9% CAGR, ranging from 17k units to 27k units. During the pandemic era in 2020, where the Thai economy contracted 6.1% y-y, truck sales also tumbled 15.6% y-y.

However, in the post-pandemic era (2022-23) where the domestic economy grew below its long-term potential at 2.2% CAGR, truck sales declined at 5.7% CAGR over the period.

Exhibit 1: Thai GDP growth vs truck unit sales growth, 2005-1Q24
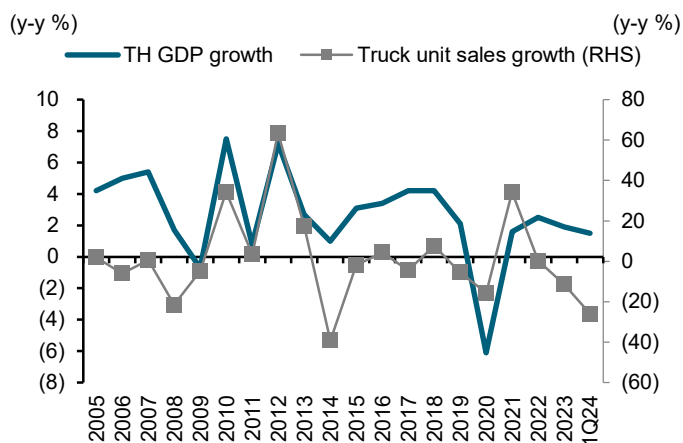
Sources: National Economic Development Council (NESDC); The Federation of Thai Industries (FTI); FSSIA's compilation

Exhibit 2: Used vehicle price indices, 2021-Apr 2024

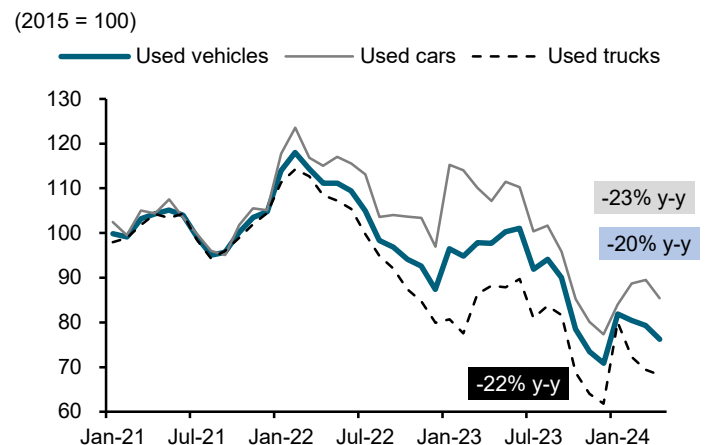Sources: Bank of Thailand (BoT); FSSIA's compilation

The state of the Thai HP truck industry in 2023 was significantly pressured by various factors with a low GDP growth rate of 1.9% y-y, which further declined to 1.5% y-y for 1Q24, painting an unfavorable picture of truck demand. This, in turn, led to a decrease in truck unit sales and companies' lending volumes.

The industry was further hit by 1) the disappointing pace of Thai government spending in the year due to certain political complications; 2) declining global/broader trade activity; and 3) the influence of El Nino, causing droughts and reducing agricultural production and income.

The industry's challenges directly impacted the repayment ability of loan customers, particularly in the construction and foreign trade sectors, leading to a rise in delinquencies. However, there were some positive signs, with companies reporting that the consumer product segment, which benefited from the momentum in the hospitality sector, provided some support.

Meanwhile, although the overview in 1Q24 was challenging, there were signs of a potential recovery. Unit sales of trucks may have dived 26.1% y-y in the quarter, especially for new trucks, but companies have observed stable demand for used trucks, indicating that customers are adapting to the market conditions. Though there was an increase in used truck prices in Jan 2024, it is important to note that this was due to the seasonal effect. The market finished lower by 22% y-y at the end of Apr 2024, suggesting a prolonged period of soft demand and high foreclosed truck inventories.
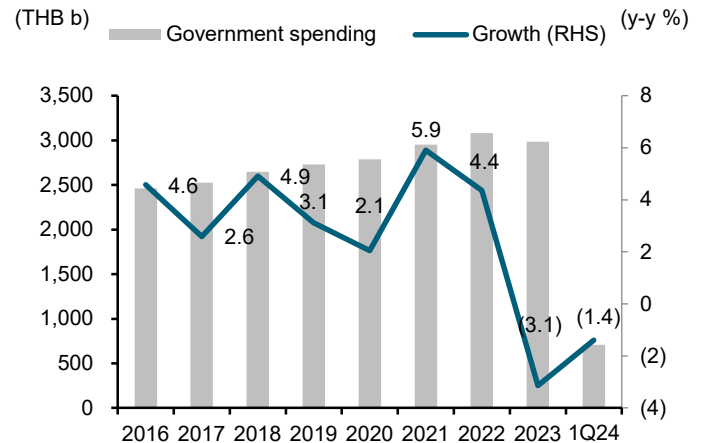
**Exhibit 3:   Truck registration, 2016-1Q24**
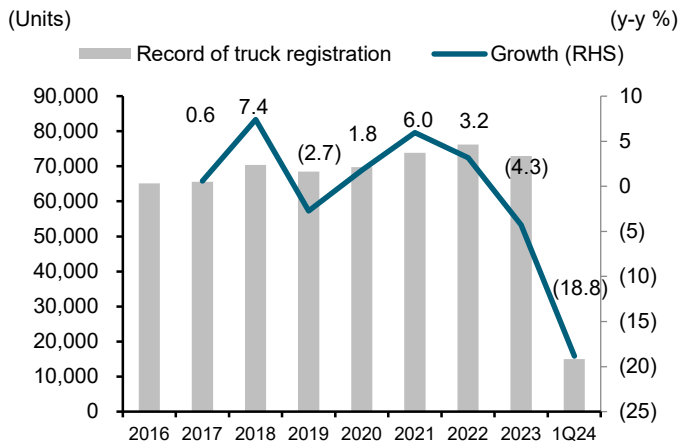
Sources: FTI; FSSIA's compilation

Exhibit 4:   Government spending, 2016-1Q24

Sources: NESDC; FSSIA's compilation

We observed a trend in which major domestic truck manufacturers had halted their production in 1Q24 due to unfavorable demand. Moreover, the market expects the implementation of the Euro 5 standard to take effect in 2025, leading factories to retire their production lines of Euro 3 models. With limited new supplies, we expect the stock of new trucks to run down by the end of 3Q24, where the market is speculating that the scarce supply at year-end should lead to higher prices and improve the loss rate on sales of repossessed trucks.

Our view on the sector and companies under coverage (THANI, ASK) is balanced. We acknowledge that the weak demand momentum is a more influential factor than prices. We also recognize the supply glut situation and the upward pressure it could receive from the trend of aggressive repossessions and proactive balance sheet clean-ups of companies. Therefore, we do not have a strong outlook on the sector along with our soft view on the 2024 economic recovery and asset quality concerns.

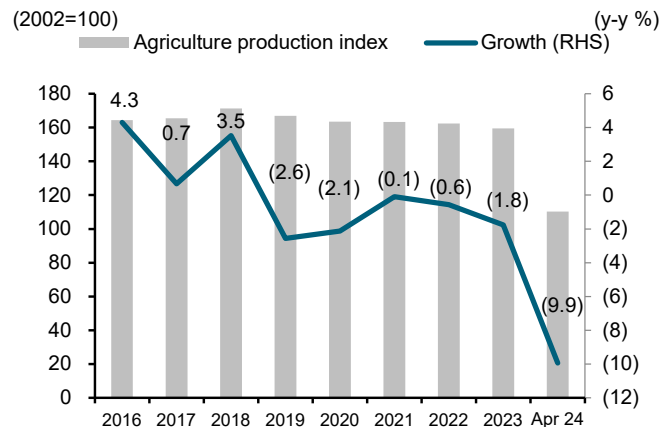**Exhibit 5:   Government spending, 2016-1Q24**
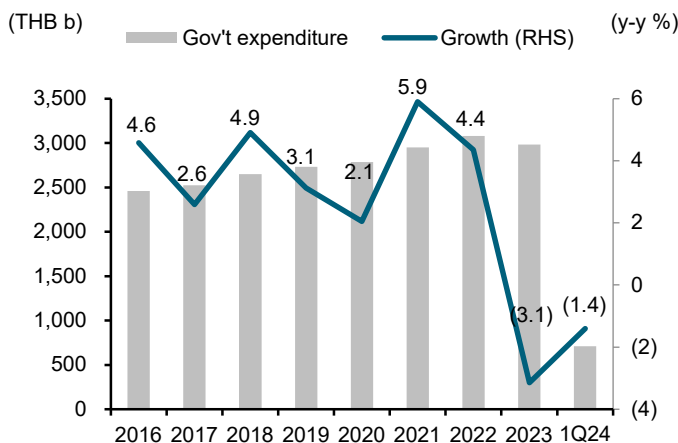
Sources: NESDC; FSSIA's compilation

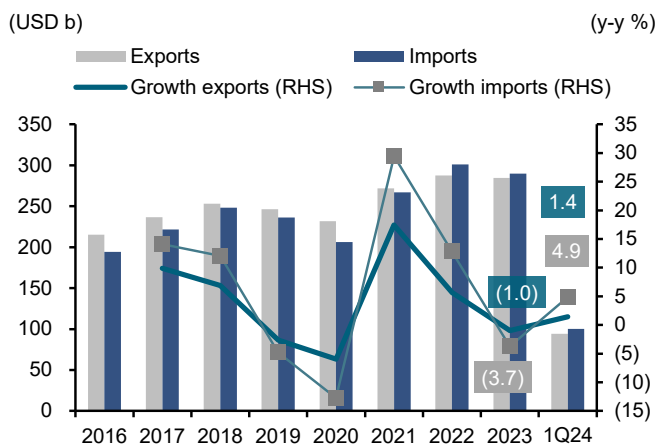**Exhibit 6:   Construction investment index, 2016-1Q24**

Sources: BoT; FSSIA's compilation

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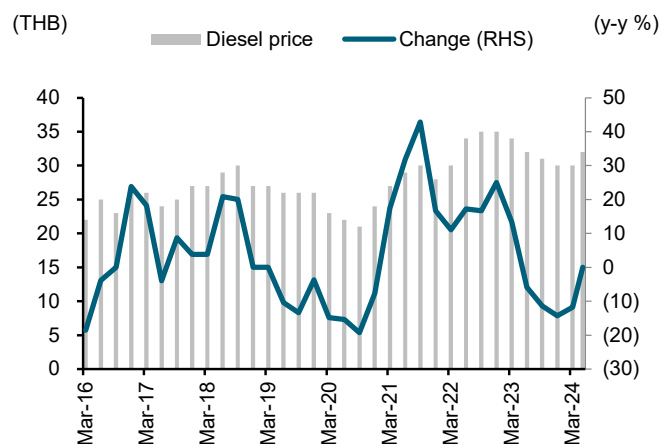**Exhibit 7: Thai private consumption index, 2016-1Q24**
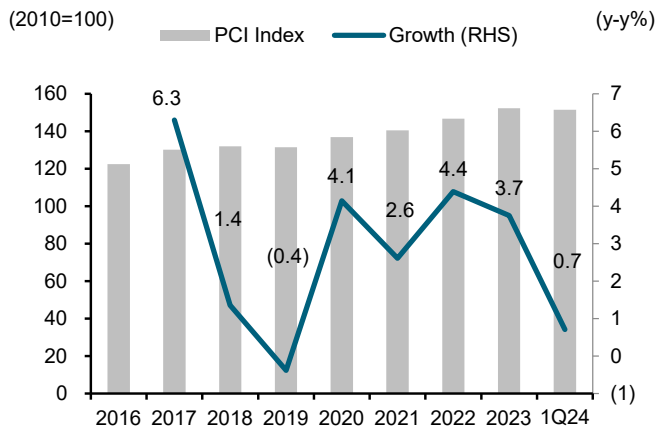
Sources: BoT; FSSIA's compilation

Exhibit 8: Agricultural production, 2016-Apr 2024

Sources: Office of Agricultural Economics (OAE); FSSIA's compilation

Exhibit 9: Export and import value, 2016-Apr 2024

Sources: Customs Department; BoT; FSSIA's compilation

Exhibit 10: Weighted average diesel price, 1Q16-May 2024

Sources: BoT; FSSIA's compilation

## The luxury car and taxi situation looks better than trucks

The overview for the Thai luxury car market in 2023 (16% of THANI's total loans in 1Q24) was not positive. The number of new luxury car registrations for 2023 showed moderate growth of 3.7% y-y, on par with the broader figure from the whole passenger car segment of 3.4% y-y. The upbeat dynamic was tilted towards 9M23 before turning negative during 4Q23, inferring a decline of 6.6% y-y. The negative trend was not only due to the stricter lending conditions of financial institutions to suppress demand, but was also affected by the unfavorable sentiment from the rising number of reported seizures of imported supercars related to money laundering cases.

The figure in 1Q24 dived further by 16.1% y-y, but was moderately more vigorous than the movement of the broader industry at -18.3% y-y. For 5M24, the trend showed an improvement, recovering marginally to a decline of 15.4% y-y, while the broader car industry showed a deeper contraction of 20.1% y-y, implying a certain degree of distinction for the different customer segment of the luxury car market.

We observe that the contraction was concentrated mainly within the new luxury car segment, while the used segment remained moderately positive. With obstacles remaining in place, we view the prospects of the luxury car market in 2024 as challenging.

Regarding the taxi segment (1% of THANI's total loans in 1Q24), c10-13% out of c80,000 existing taxis are about to be replaced in 2024. The Thai Taxi Association, regulating c90% of total taxis, will likely consider adopting EVs, and we expect to receive further updates on the matter after 2Q24.

Exhibit 11: Total new passenger car registrations, 2018-5M24
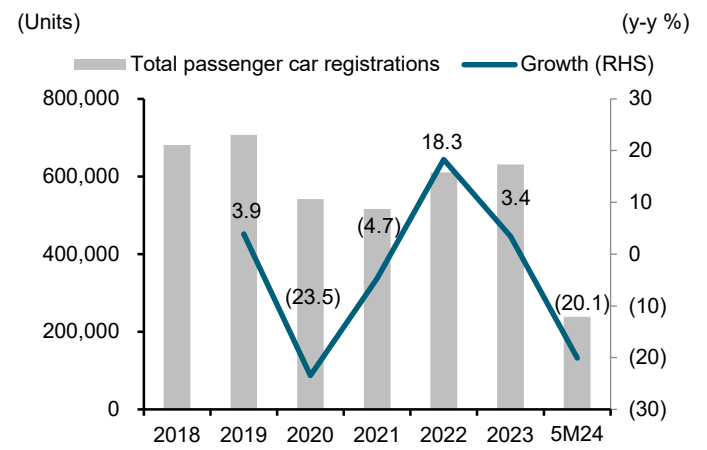
Sources: Department of Land Transport (DTL); FSSIA's compilation

Exhibit 12: Total new passenger car registrations, 1Q21-1Q24
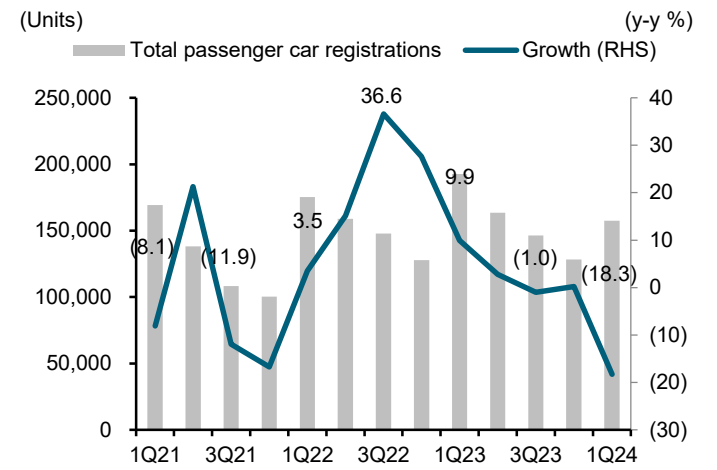
Sources: DTL; FSSIA's compilation

Exhibit 13: New luxury car registrations, 2018-5M24
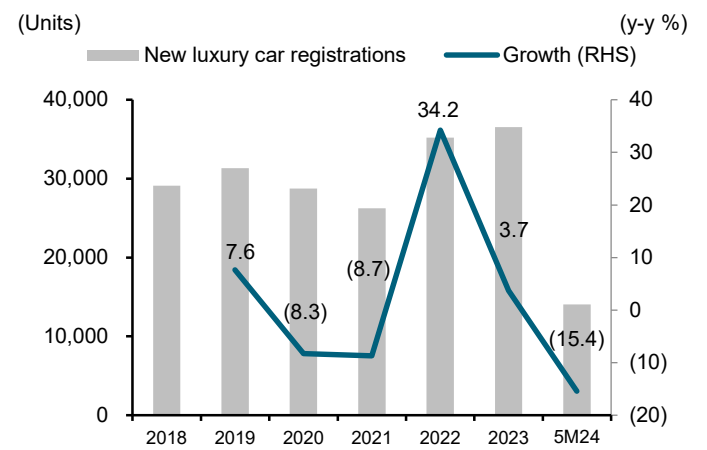
Sources: DTL; FSSIA's compilation

Exhibit 14: New luxury car registrations, 1Q21-1Q24

Sources: DTL; FSSIA's compilation

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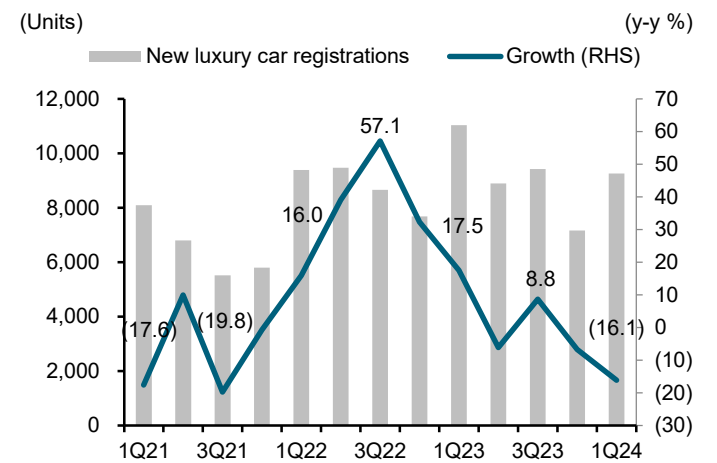
Focus on supporting the business, not accelerating its growth

THANI is a significant truck HP lender with a 2023 market share of new underwriting at 25% (ASK at 30%). Out of its truck segment, around 70% are new truck customers, leaving the other 30% for used trucks. In contrast, used cars contribute 70% of its luxury car segment, causing the segment in 2023 and 1Q24 to hold up well against the shaky new car demand.

Exhibit 15: Major shareholders, as of 1Q24

Other 42.3%
Thanachart SPV 01 51.7%
Raffles Nominees Pte Ltd 2.6%
Thanachart Capital 3.4%

Sources: THANI; FSSIA's compilation

Exhibit 16: Company structure, as of 1Q24

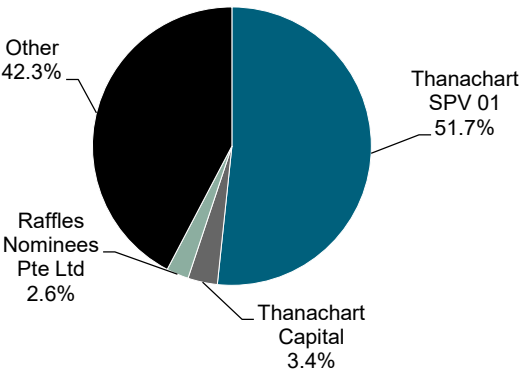| Company	Operations
Ratchthani Leasing Public Company Limited	Hire-purchase lending of commercial vehicles both new and used
Paid-up capital = THB5.6b	Auto title lending
Subsidiary (100% shareholding)	
RTN Insurance Broker Company Limited	Insurance brokerage business
Paid-up capital = THB4m	

Sources: THANI; FSSIA's compilation

Exhibit 17: Portfolio breakdown by products, as of 1Q24

Leasing 0.6%
Loan receivables 1.3%
HP 98.2%
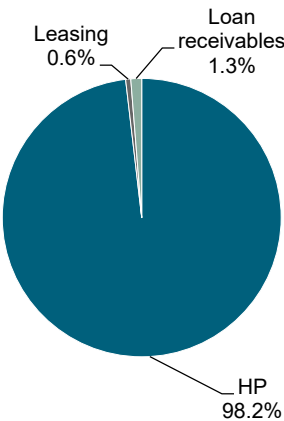
Sources: THANI; FSSIA's compilation

Exhibit 18: Portfolio breakdown by collaterals, as of 1Q24

Taxi 1.0%
Other 4.0%
Motorcycles 2.0%
Luxury cars 23.0%
Truck 70.0%
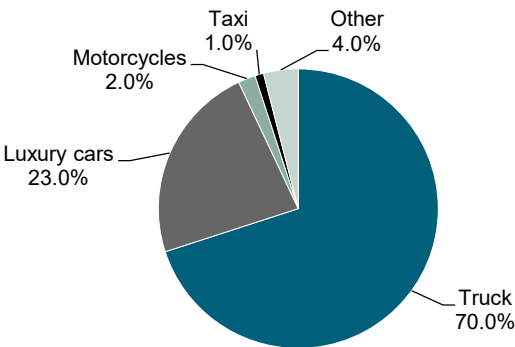
Sources: THANI; FSSIA's compilation

THANI achieved a net profit CAGR of 9.3% (2018-22), supported by a loan CAGR of 5.8% (lower compared to ASK's 15% loan CAGR over the same period). However, a hiccup in the trend can be witnessed in 2023 where its net profit of THB1.29b implied a sharp decline of 26.6% y-y over a higher credit cost of 1.95%, largely due to deteriorating asset quality, marking the highest level in the firm's history. Accordingly, the NPL ratio finished higher from 2.51% in 2022 to 3.19% in 2023, while the coverage ratio declined from 116% in 2022 to 97% in 2023.

Over the year, the operation was simultaneously hit by the effect of a rising cost of funds from 2.40% in 2022 to 2.85% in 2023. On the other hand, the average yield on loans was stable at 6.81%, lower than ASK's at 7.93%. As a result, THANI's 2023 interest spread exhibited a y-y decline of 45 bps.

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Exhibit 19: OPEX and CIR, 2017-23
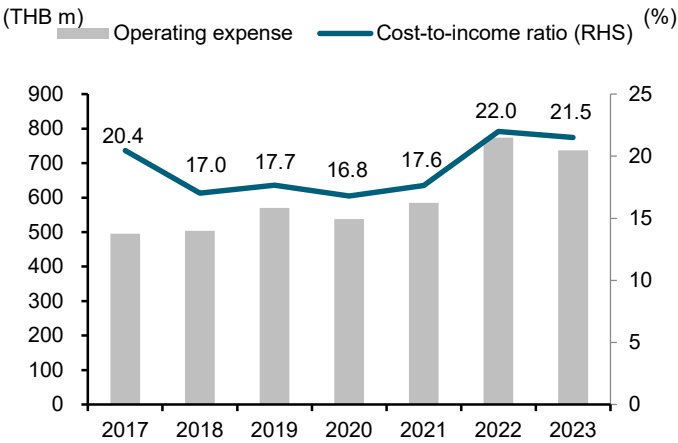
Sources: THANI; FSSIA's compilation

Exhibit 20: OPEX and CIR, 1Q21-1Q24
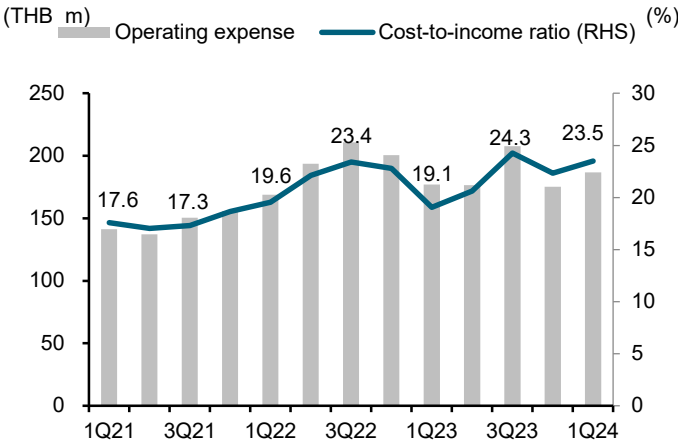
Sources: THANI; FSSIA's compilation

Exhibit 21: Loan growth, 2017-23
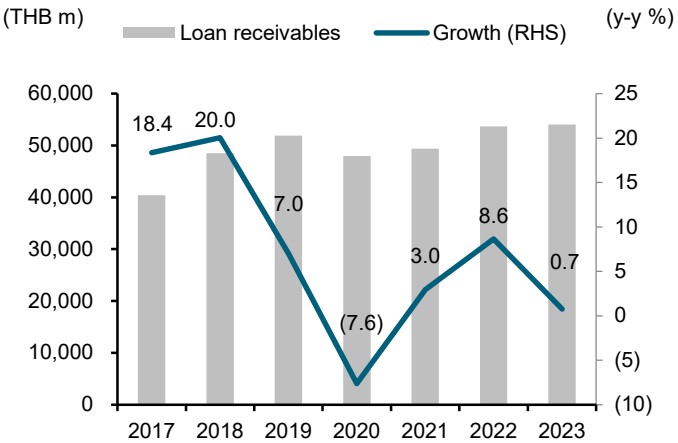
Sources: THANI; FSSIA's compilation

Exhibit 22: Loan growth, 1Q21-1Q24

Sources: THANI; FSSIA's compilation

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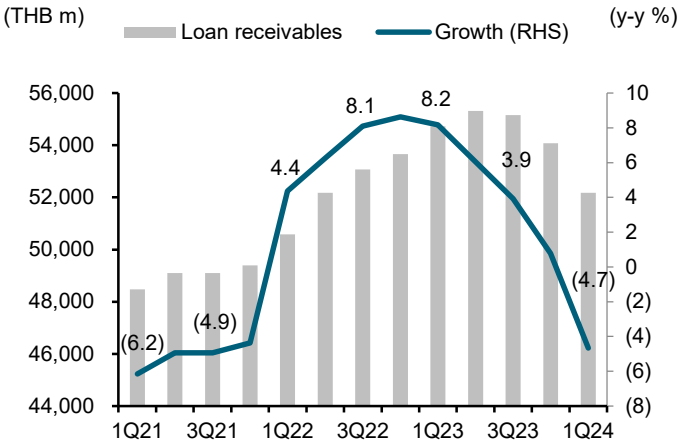
No pricing power leads to lower profitability

THANI's loan yield during 2017-21 gradually trended downward from 7.45% to 7.05% until it meaningfully declined in 2022 to 6.81%, as industry players were thriving on loan growth on the hope of a strong economic recovery, resulting in companies' pricing strategies. On the contrary, THANI's cost of funds in 2023 rose noticeably from 2.40% in 2022 to 2.85% in 2023 due to the consequence of the RP rate hikes and debt rollover, leading to a narrower loan spread from 4.41% to 3.96% during the same period.

In 1Q24, THANI considered raising the interest rate of new truck loans for specific customer groups. However, further increases are unlikely despite the expectation of a prolonged period of rising cost of funds as it attempts to retain its customer base and market share, especially among its existing customers. Therefore, we expect THANI's loan spreads to contract by 26 bps in 2024 and 5 bps in 2025 before stabilizing in 2026.

Exhibit 23: Yield, cost of funds, and spreads, 2017-23
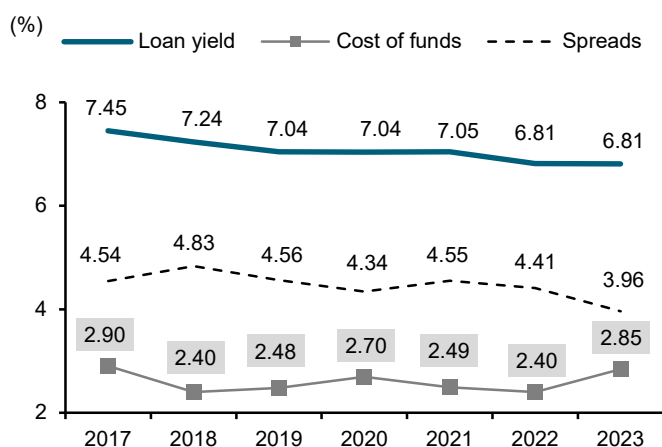
Sources: THANI; FSSIA's compilation

Exhibit 24: Yield, cost of funds, and spreads, 1Q21-1Q24
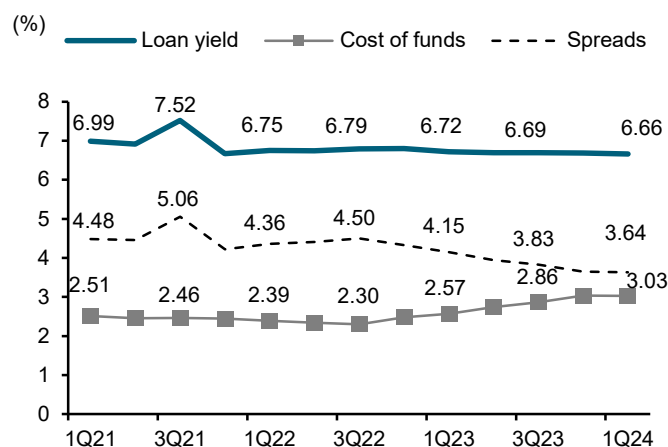
Sources: THANI; FSSIA's compilation

Exhibit 25: Summary of loan growth and yields by product segment, 2021-1Q24

|	2021	2022	2023	1Q23	2Q23	3Q23	4Q23	1Q24
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Hire purchase								
Gross loan	49,396	53,660	54,061	53,930	54,466	54,096	52,994	51,214
Loan yield (%)	7.04	6.81	6.78	6.71	6.67	6.66	6.64	6.61
Growth (y-y%)	3.3	8.5	0.0	7.7	5.4	3.1	0.0	(5.0)
Growth (q-q%)				1.8	1.0	(0.7)	(2.0)	(3.4)
Financial lease								
Gross loan	554	459	334	426	388	366	334	309
Loan yield (%)	7.22	6.61	6.47	6.58	6.55	6.44	6.46	6.51
Growth (y-y%)	(21.0)	(17.2)	(27.2)	(19.4)	(22.8)	(25.5)	(27.2)	(27.3)
Growth (q-q%)				(7.2)	(9.0)	(5.5)	(8.7)	(7.4)
Title loan								
Gross loan	-	209	733	370	469	700	733	654
Loan yield (%)	n/a	7.96	10.60	8.84	10.06	10.22	10.08	10.41
Growth (y-y%)	n/a	n/a	250.6	n/a	n/a	440.8	250.6	77.0
Growth (q-q%)				76.8	26.8	49.4	4.6	(10.7)

Sources: THANI; FSSIA's compilation

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Asset quality bottoms out under proactive management

During 2016-21, THANI's NPL ratio ranged between 3.13-4.15% before sharply declining to 2.51% in 2022 after the end of Covid debtor support policies, where THANI began the proactive process of balance sheet clean-up throughout the year.

The consequence of a slowing economic improvement in 2023 contributed to rising asset quality concerns for the industry and THANI. The 2023 NPL ratio finished much higher at 3.19%, while the coverage ratio dropped from 116% in 2022 to 97%. In 1Q24, the figure increased slightly to 3.29% due to a contracting loan base, while the gross amount of NPLs remained stable. The 1Q24 coverage ratio declined further to 95%. In addition, the proportion of stage 2 loans in 1Q24 rose moderately q-q from 12.85% to 13.29%, where the most pressure remained to influence the HP loan segment (98%).

The rising trend of net bookings of foreclosed assets led to degraded asset quality, which finished 2023 at THB443m, up 86.3% y-y, reflecting a higher inflow and larger inventory of repossessed trucks. However, its impairment loss on NPAs declined 39.7% y-y to THB56m. The improvement from 2022 was owing to better management, faster sales of trucks, and a sufficient loss of reserves on NPLs.

The inflow of foreclosed assets in 1Q24 was c110-120 units/month, reflecting more stability from 4Q23's c120-130 units/month.

The average loss rate per unit sale of foreclosed trucks in 2023-1Q24 was high at c28% compared to its historical loss of c15-20% (during normal circumstances) due to the rising supply of NPAs against the slowing demand, particularly in the freight segment.

Accordingly, the 2023 credit cost was 1.95%, almost double the 1.08% seen in 2022, and marked an all-time high as management considered contributing some additional management overlay against future uncertainties. There were also provision requirements for its aggressive litigation process on NPLs in 2H23. The figure normalized to 1.33% in 1Q24, essentially supporting the quarterly performance.

Exhibit 26: NPL and NPL ratio, 2017-23
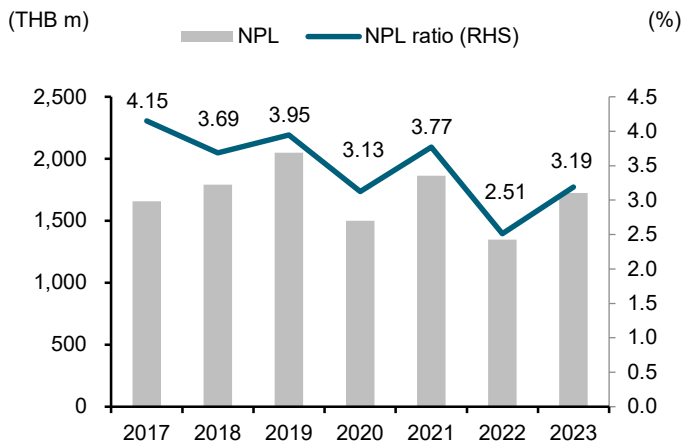
Sources: THANI; FSSIA's compilation

Exhibit 27: NPL and NPL ratio, 1Q21-1Q24
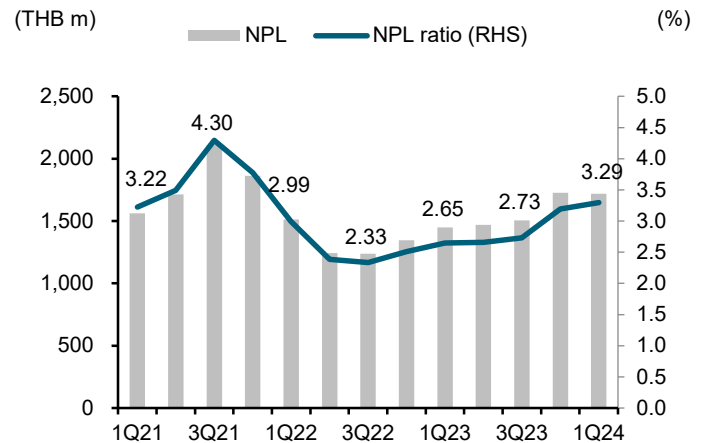
Sources: THANI; FSSIA's compilation

Exhibit 28: Allowance for expected credit loss and coverage ratio, 2017-23
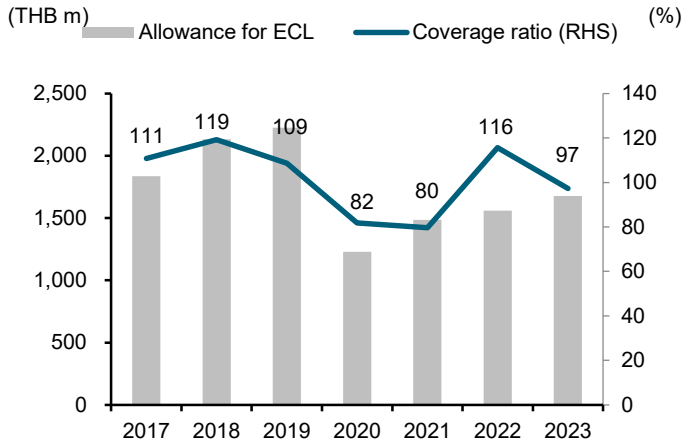
Sources: THANI; FSSIA's compilation

Exhibit 29: Allowance for expected credit loss and coverage ratio, 1Q21-1Q24
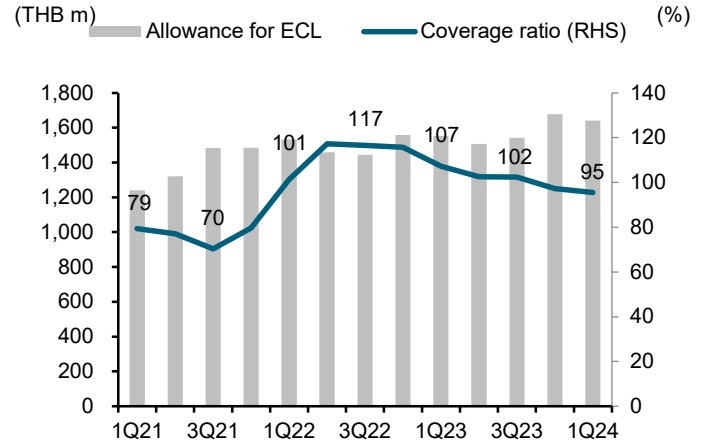
Sources: THANI; FSSIA's compilation

Exhibit 30: Credit costs, 2017-23
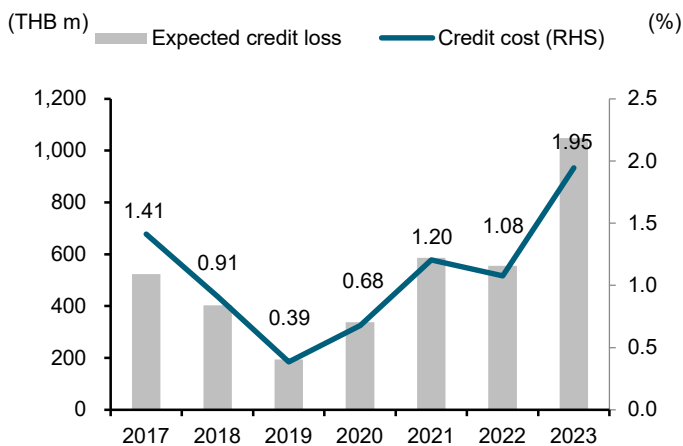
Sources: THANI; FSSIA's compilation

Exhibit 31: Credit costs, 1Q21-1Q24
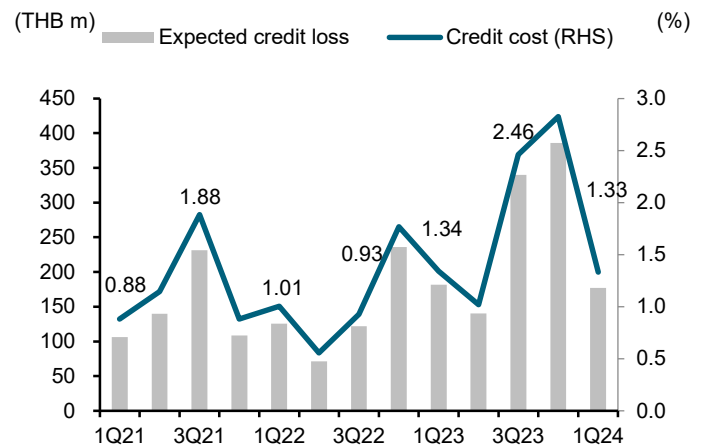
Sources: THANI; FSSIA's compilation

Exhibit 32: ECL and impairment loss on NPAs, 2017-23
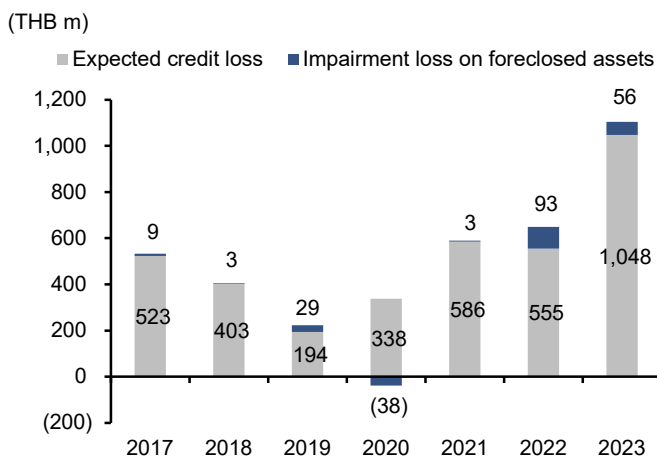
Sources: THANI; FSSIA's compilation

Exhibit 33: ECL and impairment loss on NPAs, 1Q21-1Q24
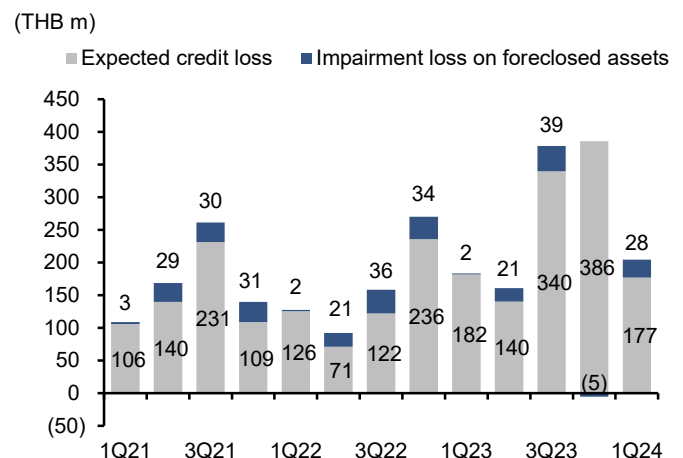
Sources: THANI; FSSIA's compilation

Exhibit 34: Staged loans and ECL, 2021-1Q24

	2021	2022	2023	1Q24	2021	2022	2023	1Q24
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)
Staged loans					% Staged loans to total			
Stage 1	42,449	46,181	45,527	43,651	85.9	86.1	84.2	83.7
Stage 2	5,084	6,132	6,808	6,807	10.3	11.4	12.6	13.0
Stage 3	1,863	1,347	1,726	1,719	3.8	2.5	3.2	3.3
Total	49,396	53,660	54,061	52,178	100.0	100.0	100.0	100.0
Allowance for ECL					% ECL to staged loans			
Stage 1	241	289	254	235	0.6	0.6	0.6	0.5
Stage 2	689	845	855	833	13.6	13.8	12.6	12.2
Stage 3	541	405	568	574	29.0	30.0	32.9	33.4
Total	1,471	1,539	1,678	1,642	3.0	2.9	3.1	3.1
LLR/ Loans	(%)	(%)	(%)	(%)				
Stage 1	0.6	0.6	0.6	0.5				
Stage 2	13.6	13.8	12.6	12.2				
Stage 3	29.0	30.0	32.9	33.4				
Total	3.0	2.9	3.1	3.1				
	(%)	(%)	(%)	(%)				
NPL / TL	3.8	2.5	3.2	3.3				
NPL vs Stage 2 loans / TL	14.1	13.9	15.8	16.3				
LLR / NPL	79	114	97	95				
LLR / (NPL vs Stage 2)	21	21	20	19				

Sources: THANI; FSSIA's compilation

Concern over financing easing, with loan contraction expected

According to the covenant on debentures and bank loans, THANI has to maintain its D/E ratio under 10.0x. The ratio finished at a manageable level of 3.3x in 1Q24, and we have no concern over its financial position given our view on its cautious loan growth in 2024.

Under a conservative scenario where debtors' credit quality remains under economic pressure, management expects to achieve a new loan underwriting of only cTHB1.5b-1.8b/month for 2024 against the expected cash collection from receivables at cTHB2.0b/month. The situation has led to guidance for a loan contraction, and THANI may not need to issue new debentures until 4Q24.

In 2024, THANI will encounter THB10.0b in debenture repayments, of which it already paid THB5.0b since Jun 2024. In addition, it has to repay cTHB1.3b in long-term bank loans. Apart from its monthly cash collection, as mentioned above, THANI has THB3.0b in undrawn credit lines from banks (as of 1Q24) and cash on hand of THB4.0b as of 1Q24, which is sufficient to pay off debts worth THB4.0b in 2Q24. Therefore, we have no cause for concern over its liquidity.

THANI announced a stock dividend payment on 16 Feb 2024 at a ratio of 10:1. Therefore, we expect a downtrend for its 2024 D/E and IBD/E, finishing lower at 2.83x and 2.77x, respectively.

Exhibit 35: THANI – outstanding amount and maturity of existing LT debentures, as of 20 June 2024

THANI	-------------------- Outstanding debentures ---------------------				--------------------------------- Maturity during quarter ---------------------------------				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Total
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2024	34,638	30,638	29,044	25,544	1,000	4,000	1,594	3,500	10,094
2025	22,544	20,951	19,451	16,451	3,000	1,593	1,500	3,000	9,093
2026	14,451	11,251	7,951	6,851	2,000	3,200	3,300	1,100	9,600

Sources: ThaiBMA; FSSIA's compilation

Exhibit 36: Breakdown of THANI's interest bearing debt, 2019-26E
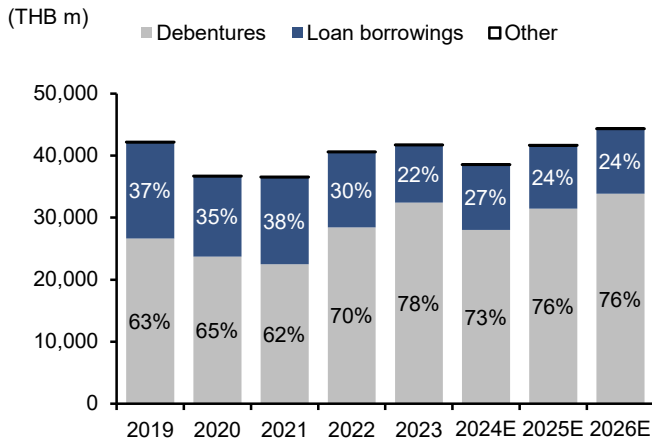
Sources: THANI; FSSIA estimates

Exhibit 37: Leverage ratios, 2019-26E
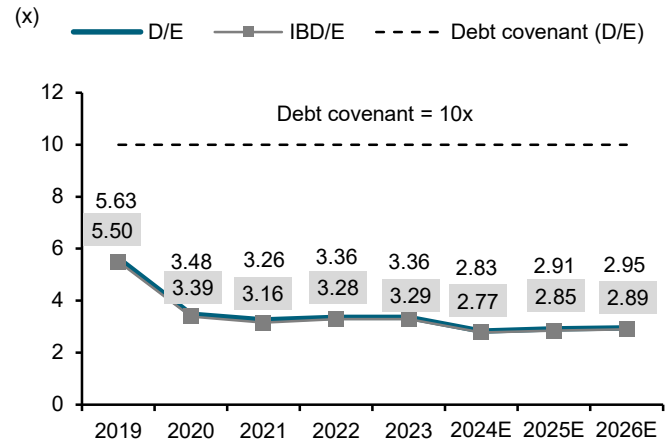
Sources: THANI; FSSIA estimates

Expect 2Q24 profit to drop amid low season

THANI posted a 1Q24 net profit of THB343m, which grew by 112.9% q-q but dropped by 23.8% y-y, with a significant push from declining ECL expenses, accounting for 26% of our 2024E net profit.

However, its core operations remained muted as management's conservative lending approach has had negative consequences on loan growth, declining 3.5% q-q and 4.7% y-y. The new lending volume was THB4.1b in 1Q24, implying a contraction of 14.9% q-q and 42.0% y-y, dragged by the truck segment. Luxury car loans (16% of total) in 1Q24 showed resilience amid a deteriorating used passenger car market, where it saw moderate q-q growth in demand and was able to retain a stable y-y loan volume.

1Q24 net interest income (NII) was THB569m, declining 4.3% q-q and 12.3% y-y. Fee income grew by 2.1% q-q but dropped by 22.8% y-y. The average loan yield was 6.66%, which declined from 6.69% in 4Q23 due to seasonal effects, despite partial support from interest rate increases on specific new truck customers by 20-30 bps. The overall performance of non-NII (up 18.8% q-q, but down 19.3% y-y) received q-q support from claims of litigation against debtors.

1Q24 asset quality showed signs of stabilizing. The NPL ratio climbed to 3.29% from 3.19% in 4Q23 due to a lower loan base, while the gross amount of NPLs at THB1.7b was stable q-q but increased 18.7% y-y.

The 1Q24 credit cost of 1.33% exhibited a sharp q-q decline from 2.83% in 4Q23, as management aggressively exercised legal actions on a meaningful portion of non-performing HP truck loans for its proactive balance sheet clean-up policy. The action led to a spike in the ECL expenses.

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Exhibit 38: THANI – 2Q24 earnings preview

	2Q23 (THB m)	3Q23 (THB m)	4Q23 (THB m)	1Q24 (THB m)	2Q24E (THB m)	----- Change -----		1H23 (THB m)	1H24E (THB m)	Change (y-y %)	% of 2024E	2024E (THB m)	Change (y-y %)
						(q-q %)	(y-y %)						
Interest income	920	924	913	885	871	(1.6)	(5.4)	1,831	1,755	(4.1)	48	3,624	(1.2)
Interest expense	287	304	319	316	307	(2.9)	6.8	549	623	13.4	50	1,257	7.3
Net interest income	633	620	594	569	564	(0.9)	(11.0)	1,282	1,133	(11.6)	48	2,366	(5.2)
Non-interest income	222	236	191	227	227	-	1.9	503	453	(9.9)	50	899	(3.3)
Operating income	855	856	785	795	790	(0.6)	(7.6)	1,785	1,586	(11.2)	49	3,265	(4.7)
Operating expenses	176	208	175	187	183	(2.1)	3.7	354	370	4.6	50	737	-
Pre-provisioning operating profit	679	648	610	608	607	(0.2)	(10.5)	1,431	1,216	(15.0)	48	2,529	(6.0)
Expected credit loss	140	340	386	177	208	17.6	48.4	322	385	19.6	45	848	(19.0)
Income tax	114	58	63	88	80	(9.6)	(29.8)	234	168	(28.1)	50	336	(5.2)
Minority interest	-	-	-	-	-	n/a	n/a	-	-	n/a	n/a	-	n/a
Net profit	**425**	**250**	**161**	**343**	**319**	**(6.9)**	**(24.8)**	**875**	**663**	**(24.3)**	**49**	**1,344**	**4.4**
EPS (THB)	0.08	0.04	0.03	0.06	0.05	(15.4)	(31.7)	0.15	0.11	(27.6)	50	0.22	(2.2)
Key balance sheet items													
Gross loans	55,322	55,163	54,061	52,178	51,893	(0.5)	(6.2)	55,322	51,893	(6.2)		51,989	(3.8)
Interest bearing debt	42,841	42,140	41,742	41,773	37,568	(10.1)	(12.3)	42,841	37,568	(12.3)		38,567	(7.6)
Leverage ratios	(x)	(x)	(x)	(x)	(x)							(x)	
D/E	3.6	3.4	3.4	3.3	2.9			3.6	2.9			2.8	
IBD/E	3.5	3.4	3.3	3.2	2.9			3.5	2.9			2.8	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)					(%)	
Gross NPL (THB m)	1,470	1,506	1,726	1,719	1,703	(0.9)	15.9	1,470	1,703	15.9		1,691	(2.0)
NPL / TL	2.66	2.73	3.19	3.29	3.28			2.66	3.28			3.25	
LLR	1,507	1,542	1,678	1,642	1,600	(2.5)	6.2	1,507	1,600	6.2		1,572	(6.3)
Coverage ratio	103	102	97	95	94			103	94			93	
Credit cost	1.02	2.46	2.83	1.33	1.60			1.20	1.44			1.60	
Profitability ratios	(%)	(%)	(%)	(%)	(%)							(%)	
Cost-to-income ratio	20.63	24.27	22.34	23.49	23.14			19.81	23.32			22.56	
Average loan yield	6.69	6.69	6.69	6.66	6.69			6.81	6.55			6.83	
Cost of funds	2.74	2.86	3.04	3.03	3.09			2.67	3.10			3.13	
Loan yield spreads	3.95	3.83	3.65	3.64	3.60			4.14	3.45			3.70	
Net interest margins (NIM)	4.65	4.54	4.39	4.19	4.29			4.82	4.29			4.47	
Non-NII / Revenue	25.98	27.54	24.30	28.48	28.66			28.18	28.57			27.52	
Loan growth	(%)	(%)	(%)	(%)	(%)								
q-q	1.1	(0.3)	(2.0)	(3.5)	(0.5)								
y-y	6.0	3.9	0.7	(4.7)	(6.2)			6.0	(6.2)			(3.8)	
YTD	3.1	2.8	0.7	(3.5)	(4.0)			(3.1)	(4.0)				

Sources: THANI; FSSIA estimates

For 2Q24, we expect its net profit to finish at THB319m, decreasing by 6.9% q-q and 24.8% y-y. On a q-q basis, we expect overall operations to remain stable, with the demand for trucks remaining muted, similar to 1Q24. The luxury car segment should continue to gradually recover, but we expect a slight increase in ECLs as cash collection will be low during the season. The y-y decline follows higher credit costs.

Due to quality-focused lending, we estimate loans to further contract by 0.5% q-q and 6.2% y-y. 2Q24E new loans should contract by c30% y-y. We estimate a PPOP of THB607m (stable q-q, down 10.5% y-y).

The expected 2Q24 NII is THB564m, declining 0.9% q-q and 11.0% y-y, in line with the dwindling loan portfolio. For non-NII, we anticipate THB227m, stable q-q and slightly rising y-y, which comes from offsetting forces between 1) the declining loan and insurance brokerage fees due to slower lending; and 2) the rising income from litigation claims on NPLs after aggressive bad debt management during 2H23.

Our 2Q24E OPEX falls slightly by 2.1% q-q (but increases by 3.7% y-y) due to a lower loss level on NPAs. We expect the monthly number of foreclosures and sales to edge down slightly q-q to c100 units/month. The cost-to-income ratio should decline to 23.1% from 23.5% in 1Q24.

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In summary, the expected 1H24 net profit could plunge by 24.3% y-y, amounting to THB663m, and account for 49% of our 2024 net profit forecast, mainly due to rising credit costs estimated at 1.44% from 1.20% in 1H23.

We estimate THANI's 2Q24 asset quality to be similar to 1Q24, with the NPL ratio at 3.28%. Given the low cash collection season, our conservative approach indicates a q-q increase in 2Q24E credit costs of 1.60% from 1.33% in 1Q24. Our forecast suggests a slightly lower coverage ratio of 94% at the end of the period.

THANI has repaid THB4.0b worth of long-term debentures in 2Q24 with no debt rollover required. Together with stock dividend payments during the period, we expect its 2Q24 D/E ratio to noticeably fall q-q from 3.3x to 2.9x.

2024 to mark a recovery

For the rest of 2024, management plans to continue its conservative approach to loan underwritings with existing customers as the main lending target, especially for new trucks. THANI expects new NPL formation to have peaked in 3Q-4Q23, but views the post-peak recovery to come at a gradual pace. Hence, when the pace of new loan bookings continues to decline, management expects 2Q-4Q24 ECL expenses to finish around the amount in 1Q24, or cTHB177m, implying credit costs of 1.30-1.40%/quarter.

Regarding management's view on the repossessed truck situation, they disclosed that the monthly number of additional foreclosures in 1Q24 of 110-120 units/month has already seen a moderate q-q decline from 120-130 units/month in 4Q23. Meanwhile, the loss rate per sale should continue to plateau at c28%, as THANI sees a prolonged supply glut of used trucks between industry peers and expects the overall truck NPAs to normalize by year-end.

We expect THANI to deliver a 2024 net profit of THB1.34b, implying 4.4% y-y growth, primarily due to the expectation of a lower credit cost of 1.60% from 1.95% in 2023. The figure is still higher than management's expectation for the year as the gradually rising proportion of stage 2 loans at the end of 1Q24 hints at a prolonged new NPL formation.

Meanwhile, we estimate that a prolonged period of credit quality control upon new lending will lead to a contraction of 3.8% y-y. Moreover, we expect a rising 2024 cost of funds at 3.13%, while the average loan yield should remain stable at 6.83%, resulting in a 26 bps contraction in the interest spread.

All these factors would contribute to the softer performance of its core operations, with 2024E NII contracting at 5.2% y-y. In addition, non-NII should also fall by 3.3% y-y due to a lower loan volume and insurance brokerage fees following a decline in loan bookings. The cost-to-income ratio should finish the year higher at 22.6%.

For asset quality, we view the 2024E NPL ratio to remain stable at 3.25%, while the expected amount of gross NPLs should plateau at THB1.7b towards year-end. With the expected y-y lower credit costs, the coverage ratio should gradually decline q-q throughout the year and finish lower at 93% for 2024 (from 97% in 2023 and 95% in 1Q24) against the company's long-term target of 100%.

For 2025-26, we forecast the net profit to recover at a CAGR of 6.3% with average loan growth of 6.3% p.a. and marginally declining credit costs to 1.50%, reflecting a gradual recovery of THANI.

Exhibit 39: 2024E – FSSIA estimates vs management guidance

	Actual 2023	FSSIA 2024E	THANI 2024E	Actual 1Q24
New underwritings (THB m)	24,646	18,000	20,000	4,076
Net loans (THB m)	52,380	50,444	50,000	50,533
Gross loans (THB m)	54,057	51,989	n/a	52,174
NPL ratio (%)	3.19	3.25	< 3.20	3.29
Credit cost (%)	1.95	1.60	< 1.70	1.33
D/E ratio (x)	3.36	2.83	< 4.00	3.30

Sources: THANI; FSSIA estimates

Exhibit 40: Net profit and growth, 2018-26E
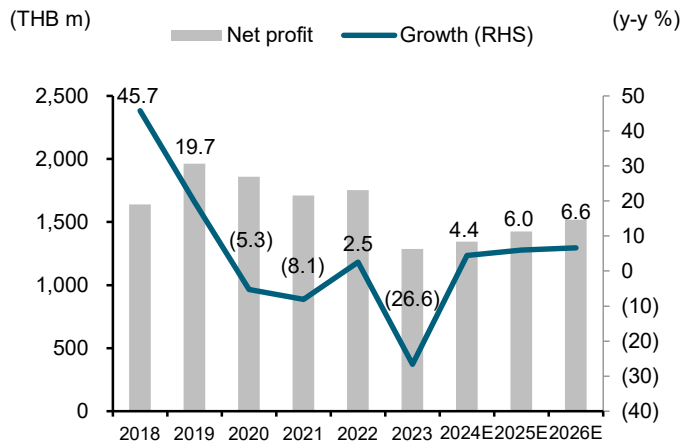
Sources: THANI; FSSIA estimates

Exhibit 41: Net profit and growth, 1Q21-1Q24
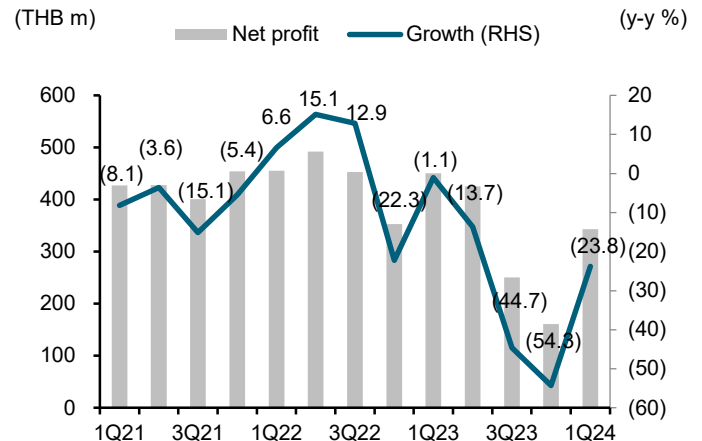
Sources: THANI; FSSIA's compilation

Cautious prints to allow for more robust 2024 growth than peers

Despite our unfavorable view of the HP truck industry, we have a more robust outlook for THANI than ASK. We expect the rising NPL situation to resolve faster for THANI due to 1) superior customer quality with a lower proportion of used truck loans; and 2) a more conservative lending policy, especially during 2022-23 with THANI's loan growth at 0.7-8.6% y-y compared to ASK's more aggressive 11.3-21.3% y-y growth.

Amid contracting truck demand in 2023, ASK's 1H23 loan growth strategy centered around market penetration into lower credit quality segments, i.e., retail and first-car customers, which led to a worse asset quality overview in 2H23.

Accordingly, we expect THANI's more cautious strategy to open a declining path for credit costs in 2024, while ASK should continue to suffer an ever-higher ECL burden from loan reserves and NPA losses. However, we expect both companies' coverage ratios to finish lower than their long-term targets (100% for THANI and 70% for ASK), edging down further from 2023 due to a slow recovery in debtors' quality before an upward trend during 2025-26 as the NPL situation gradually unwinds.

The two companies' recognition of impairment loss on NPAs was contrasting, with a loss of THB56m for THANI against THB570m for ASK in 2023. The situation was due to THANI's more conservative approach to loss-given default (LGD), with the higher S3 LLR/S3 loans at 32% compared to ASK's 26%, against the industry's average rate of loss of c28%.

Regarding their core business operations, we view the loan growth of both companies as slowing down in 2024, as management should focus more on quality than growth, leading to muted NII and non-NII performances. We expect THANI to face a portfolio contraction of 3.8% y-y and ASK to deliver lower-than-average growth of 5.4% y-y, while new loan bookings for both should contract y-y in 2024.

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In 2023, THANI's loan yield of 6.81% was lower than ASK's 7.93% due to its lower proportion of used truck loans (30% vs 37%) and a smaller title loan portfolio (1% vs 8%). Meanwhile, THANI's cost of funds was lower at 2.85% (vs ASK's 3.17%) due to its lower proportion of high-interest rate bank loan funding (22% vs 44%). We expect both companies to encounter contracting loan spreads, mainly due to the rising cost of funds, while the loan yield outlook should remain stable, as they are reluctant to increase interest rates for fear of losing market share.

In summary, we expect THANI's 2024 net profit to rise moderately against the expectation of a sharp decline in ASK's 2024 results, as per our different credit cost outlooks for each company. For 2025-26, we expect ASK's average net profit recovery to be more decisive due to the low-base effect.

Exhibit 42: HP truck portfolio breakdown relative to peer, 1Q24
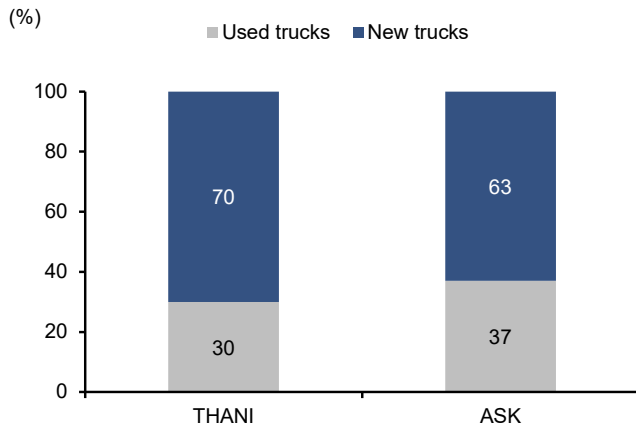
Sources: Company data; FSSIA's compilation

Exhibit 43: Loan portfolio breakdown relative to peer, 1Q24

Sources: Company data; FSSIA's compilation

Exhibit 44: Key operations summary of industry peers, 2021-1Q24

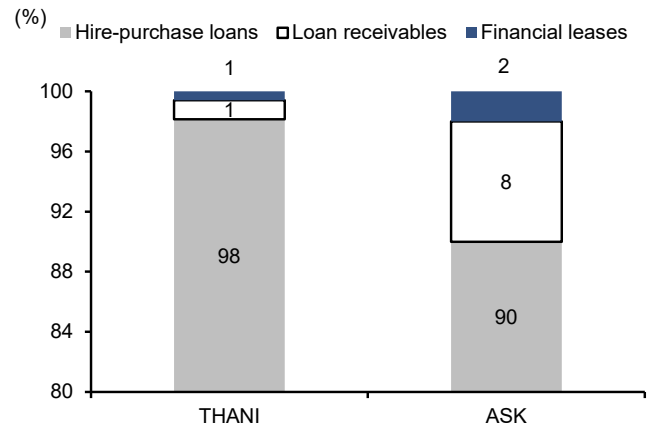|	---------- THANI ----------				---------- ASK ----------				----------- Industry aggregates -----------			
	2021	**2022**	**2023**	**1Q24**	**2021**	**2022**	**2023**	**1Q24**	**2021**	**2022**	**2023**	**1Q24**
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Gross loans	49,396	53,660	54,061	52,178	55,682	67,538	75,182	75,736	105,078	121,197	129,243	127,914
Growth (y-y%)	3.0	8.6	0.7	(4.7)	25.2	21.3	11.3	8.3	13.7	15.3	6.6	2.6
Net profit	**1,709**	**1,753**	**1,287**	**343**	**1,203**	**1,512**	**1,219**	**174**	**2,912**	**3,265**	**2,506**	**517**
Growth (y-y%)	(8.1)	2.5	(26.6)	(23.8)	36.2	25.7	(19.4)	(56.8)	6.2	12.1	(23.3)	(39.4)
Yields (%)	7.05	6.81	6.81	6.66	7.60	7.89	7.93	7.82	7.33	7.40	7.45	7.34
Cost of funds (%)	2.49	2.40	2.85	3.03	2.52	2.65	3.17	3.42	2.51	2.54	3.04	3.26
Interest spreads (%)	4.55	4.41	3.96	3.64	5.08	5.24	4.76	4.40	4.82	4.86	4.41	4.08
Operating expense	585	774	737	187	1,049	1,127	1,281	340	1,634	1,900	2,018	526
Growth (y-y%)	(6.6)	3.2	(0.1)	5.5	(26.1)	12.1	9.2	6.1	7.1	16.3	6.2	5.9
Cost-to-income (%)	17.64	21.99	21.50	23.49	31.09	26.27	27.92	30.55	24.43	24.34	25.18	27.61
Expected credit loss	586	555	1,048	177	817	1,265	1,779	554	1,403	1,820	2,827	731
Credit cost (%)	1.20	1.08	1.95	1.33	1.63	2.05	2.49	2.94	1.42	1.61	2.26	2.27
NPL ratio (%)	3.77	2.51	3.19	3.29	2.71	3.48	4.71	5.17	3.21	3.05	4.07	4.41
Coverage ratio (%)	80	116	97	95	88	75	62	61	84	90	74	71
ECL (S3)/ S3 loans (%)	27	30	32	29	33	30	26	26	30	30	27	27
ROAA (%)	3.5	3.4	2.4	4.1	2.4	2.4	1.7	0.9	2.9	2.9	2.0	1.9
ROAE (%)	15.3	14.7	10.3	10.7	16.1	15.5	11.7	6.5	15.6	15.0	10.9	8.8
D/E ratio (x)	3.3	3.4	3.4	3.3	5.1	5.7	6.3	6.2	4.1	4.4	4.7	4.6
IBD/E ratio (x)	3.2	3.3	3.3	3.2	4.8	5.5	6.0	6.0	3.9	4.3	4.5	4.5

Sources: Company data; FSSIA's compilation

FINANSIA

Exhibit 45: THANI vs ASK – comparison of key 2024-26 assumptions

	------------------------------- THANI -------------------------------			------------------------------- ASK -------------------------------		
	2024E	**2025E**	**2026E**	**2024E**	**2025E**	**2026E**
Net profit (THB m)	**1,344**	**1,425**	**1,519**	**875**	**1,014**	**1,139**
Growth (y-y %)	*4.4*	*6.0*	*6.6*	*(28.2)*	*15.9*	*12.3*
Loan receivables (THB m)	51,989	55,253	58,752	79,255	85,560	92,368
Growth (y-y %)	*(3.8)*	*6.3*	*6.3*	*5.4*	*8.0*	*8.0*
NPL ratio (%)	3.25	3.11	2.97	5.21	4.97	4.74
LLR (THB m)	1,572	1,625	1,682	2,414	2,579	2,757
Coverage ratio (%)	92.9	94.6	96.3	58.4	60.7	63.0
Credit costs (%)	1.49	1.33	1.33	2.85	2.61	2.49
Loan yield (%)	6.36	6.06	6.08	7.94	7.94	7.95
Cost of funds (%)	2.92	3.14	3.75	3.58	3.66	3.71
Spreads (%)	3.43	2.93	2.33	4.36	4.28	4.24
CIR (%)	22.56	22.68	22.30	28.96	29.97	30.50
D/E (x)	2.8	2.9	3.0	6.5	6.7	6.8
IBD/E (x)	2.8	2.9	2.9	6.3	6.5	6.6

Source: FSSIA estimates

Initiate with a HOLD call for its attractive dividend yield of 5-6% p.a.

We expect the soft industry outlook to continue to weigh on HP truck lenders' 2024 performance, reflecting higher-than-normal credit costs and under-par loan growth. For THANI, our GGM-based 2024 TP of THB2.28, implying a P/BV ratio of 1.02x (L-T ROE 10.1%, COE 10.0%), currently offers a limited upside to the current share price. Therefore, we have a HOLD call for THANI and an Underweight outlook for the HP truck industry.

We expect THANI's share price multiple to trade above ASK's (2024E P/BV = 0.88x) due to a relatively more robust earnings outlook. We also anticipate THANI to deliver a 2024-26 cash dividend in the attractive yield range of c5-6% p.a. over an average payout ratio of 55%.
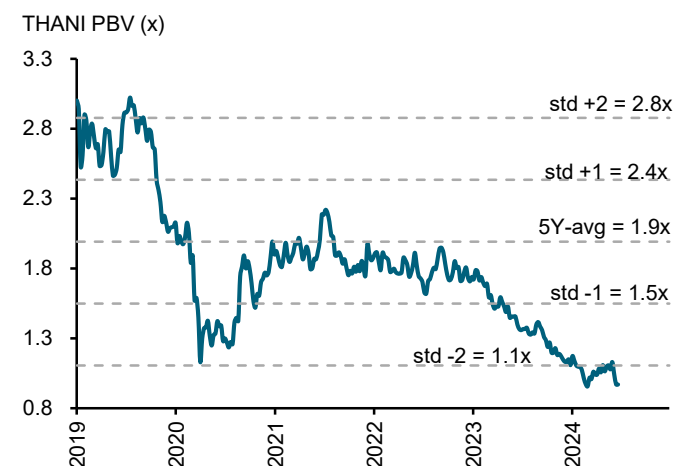
On 16 Feb 2024, management announced a 2023 dividend payment of THB0.12/share, of which THB0.02/share was a cash dividend, while the other THB0.10/share was a stock dividend at a ratio of 10:1 as a measurement for its capital management. We have factored in this issue in our forecast, which dilutes the company's EPS for the rest of 2024.

Exhibit 46: THANI – GGM-based 2024 TP

	2024E
	(%)
Sustainable ROE	10.1
Terminal growth	4.5
Risk-free	3.0
Expected market return	8.0
Market risk premium	5.0
Cost of equity	10.0
Beta	1.3
Target P/BV (x)	**1.02**
Fair price (THB)	**2.28**

Sources: FSSIA estimates

Exhibit 47: Share price performance of non-banks under coverage, as of 19 June 2024

	---------------------- Price performance ----------------------				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
TIDLOR TB	(9.7)	(13.8)	(16.0)	(16.8)	(13.8)
MTC TB	(4.4)	(6.9)	(1.1)	10.8	(2.8)
SAWAD TB	(13.9)	(1.7)	(6.9)	(21.4)	(2.9)
AEONTS TB	(17.7)	(10.0)	(16.3)	(31.9)	(18.4)
KTC TB	(1.1)	(3.9)	(7.0)	(13.9)	(0.6)
SAK TB	(8.9)	2.4	21.4	(8.1)	22.6
ASK TB	(11.8)	(21.1)	(31.5)	(48.6)	(32.2)
THANI TB	**(9.2)**	**(3.6)**	**(9.3)**	**(27.6)**	**(8.6)**
JMT TB	(18.4)	(33.0)	(44.4)	(63.5)	(42.7)
BAM TB	(13.0)	(18.5)	(4.9)	(30.0)	(5.5)
CHAYO TB	(18.8)	(36.3)	(37.5)	(53.2)	(39.8)
SETFIN	**(10.4)**	**(12.9)**	**(15.6)**	**(26.8)**	**(14.5)**
SET	**(5.4)**	**(5.1)**	**(6.9)**	**(15.2)**	**(7.9)**

Sources: Bloomberg

Exhibit 48: THANI – one-year prospective P/BV band

Sources: Bloomberg; FSSIA estimates

Exhibit 49: THANI – one-year prospective PER band

Sources: Bloomberg; FSSIA estimates

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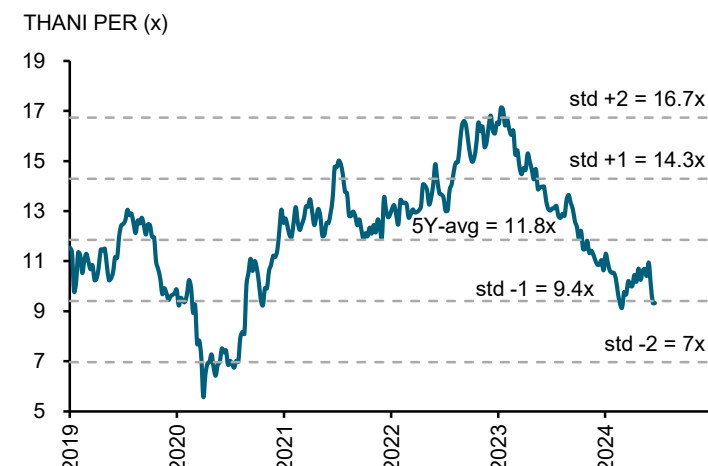
Exhibit 50: ASK – GGM-based 2024 TP

	2024E
	(%)
Sustainable ROE	8.6
Terminal growth	3.9
Risk-free	3.0
Expected market return	8.0
Market risk premium	5.0
Cost of equity	9.3
Beta	1.3
Target P/BV (x)	**0.88**
Fair price (THB)	**18.00**

Sources: FSSIA estimates

Exhibit 51: Relative share price performance, as of 19 June 2024

(2019=100)
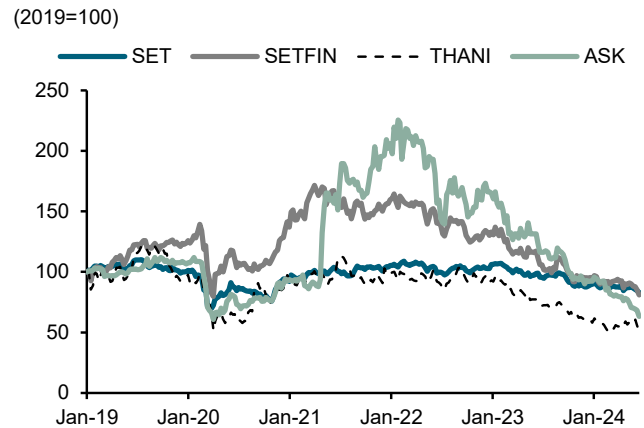
Sources: Bloomberg; FSSIA's compilation

Exhibit 52: ASK – one-year prospective P/BV band

ASK PBV (x)

Sources: Bloomberg; FSSIA estimates

Exhibit 53: ASK – one-year prospective PER band

ASK PER (x)

Sources: Bloomberg; FSSIA estimates

Exhibit 54: Peers comparison, as of 20 June 2024

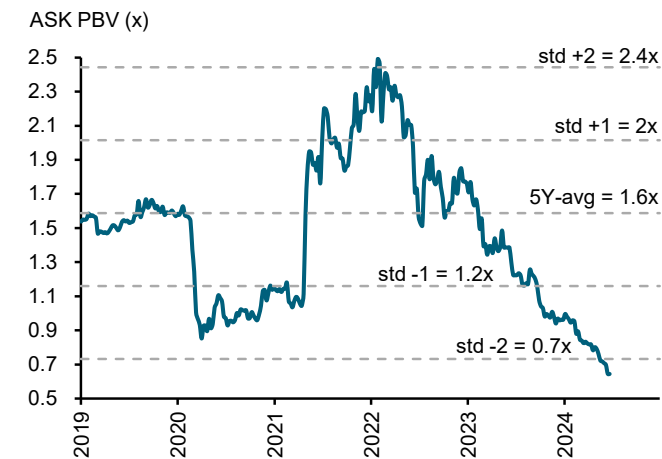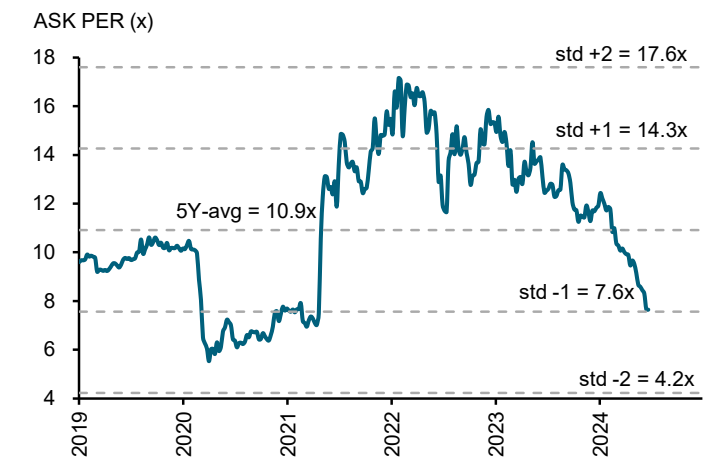| Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE 24E (x)	PE 25E (x)	PBV 24E (x)	PBV 25E (x)	ROE 24E (%)	ROE 25E (%)	Div yld 24E (x)	Div yld 25E (x)
Auto title													
Muangthai Capital	MTC TB	BUY	43.75	50.00	14.3	14.7	11.8	2.5	2.1	18.1	19.0	0.6	0.8
Srisawad Corp	SAWAD TB	HOLD	35.75	40.00	11.9	9.9	8.8	1.7	1.5	18.4	18.2	1.1	1.1
Ngern Tid Lor	TIDLOR TB	BUY	18.70	27.00	44.4	11.7	9.8	1.7	1.5	15.4	16.2	2.6	3.1
Saksiam Leasing	SAK TB	HOLD	5.10	5.28	3.6	12.9	11.3	1.7	1.6	13.7	14.4	3.3	3.7
Unsecured finance													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	130.50	170.00	30.3	10.1	9.5	1.2	1.2	12.8	12.6	4.2	4.4
Krungthai Card	KTC TB	HOLD	43.25	46.00	6.4	14.5	13.9	2.8	2.5	20.3	19.0	3.1	3.2
Hire-purchase truck													
Asia Sermkij Leasing	ASK TB	HOLD	13.50	18.00	33.3	8.1	7.0	0.7	0.6	8.1	9.1	7.4	7.1
Ratchthani Leasing	**THANI TB**	**HOLD**	**2.16**	**2.28**	**5.6**	**9.7**	**9.4**	**1.0**	**0.9**	**10.1**	**10.0**	**5.7**	**5.8**
AMCs													
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	7.70	8.75	13.6	14.0	13.1	0.6	0.6	4.1	4.3	4.9	5.0
JMT Network services	JMT TB	HOLD	14.60	17.00	16.4	13.0	10.8	0.8	0.8	6.1	7.2	4.6	5.6
Chayo Group	CHAYO TB	HOLD	3.28	4.20	28.0	12.8	8.3	1.0	0.9	8.1	11.1	2.0	1.8
Average						**12.0**	**10.3**	**1.4**	**1.3**	**12.3**	**12.8**	**3.9**	**3.8**

Sources: Bloomberg; FSSIA estimates

Financial Statements

Ratchthani Leasing

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	3,511	3,668	3,624	3,673	3,911
Interest expense	(926)	(1,172)	(1,257)	(1,280)	(1,375)
Net interest income	2,585	2,496	2,366	2,393	2,536
Net fees & commission	469	439	408	436	467
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	464	491	491	515	541
Non interest income	933	929	899	952	1,008
Total income	3,518	3,426	3,265	3,345	3,544
Staff costs	(666)	(623)	(623)	(642)	(667)
Other operating costs	(108)	(114)	(114)	(117)	(123)
Operating costs	(774)	(737)	(737)	(759)	(790)
Pre provision operating profit	2,744	2,689	2,529	2,586	2,754
Expected credit loss	(555)	(1,048)	(848)	(804)	(855)
Other provisions	-	-	-	-	-
Operating profit	2,189	1,641	1,680	1,782	1,899
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	2,189	1,641	1,680	1,782	1,899
Tax	(436)	(354)	(336)	(356)	(380)
Profit after tax	1,753	1,287	1,344	1,425	1,519
Non-controlling interest	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,753	1,287	1,344	1,425	1,519
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	1,753	1,287	1,344	1,425	1,519
Per share (THB)					
Recurring EPS *	0.31	0.23	0.22	0.23	0.24
Reported EPS	0.31	0.23	0.22	0.23	0.24
DPS	0.17	0.02	0.12	0.13	0.13
Growth					
Net interest income (%)	2.7	(3.4)	(5.2)	1.1	6.0
Non interest income (%)	17.1	(0.3)	(3.3)	5.9	5.9
Pre provision operating profit (%)	0.6	(2.0)	(6.0)	2.3	6.5
Operating profit (%)	2.2	(25.0)	2.4	6.0	6.6
Reported net profit (%)	2.5	(26.6)	4.4	6.0	6.6
Recurring EPS (%)	2.5	(26.6)	(2.2)	2.9	6.6
Reported EPS (%)	2.5	(26.6)	(2.2)	2.9	6.6
Income Breakdown					
Net interest income (%)	73.5	72.9	72.5	71.5	71.6
Net fees & commission (%)	13.3	12.8	12.5	13.0	13.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	13.2	14.3	15.0	15.4	15.3
Operating performance					
Gross interest yield (%)	6.94	6.88	6.85	6.83	6.83
Cost of funds (%)	2.40	2.85	3.13	3.19	3.20
Net interest spread (%)	4.54	4.03	3.72	3.64	3.63
Net interest margin (%)	5.1	4.7	4.5	4.5	4.4
Cost/income(%)	22.0	21.5	22.6	22.7	22.3
Cost/assets(%)	1.5	1.3	1.4	1.4	1.3
Effective tax rate (%)	19.9	21.6	20.0	20.0	20.0
Dividend payout on recurring profit (%)	54.9	8.8	55.0	55.0	55.0
ROE (%)	14.7	10.3	10.1	10.0	10.1
ROE - COE (%)	4.7	0.3	0.2	0.0	0.2
ROA (%)	3.4	2.4	2.5	2.6	2.6
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Ratchthani Leasing; FSSIA estimates

Financial Statements
Ratchthani Leasing

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	59,772	60,023	57,713	61,318	65,179
Allowance for expected credit loss	(1,558)	(1,678)	(1,572)	(1,625)	(1,682)
interest in suspense	(6,113)	(5,966)	(5,723)	(6,065)	(6,427)
Net customer loans	**52,100**	**52,380**	**50,418**	**53,627**	**57,069**
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	652	1,434	1,449	1,891	1,755
Other interesting assets	-	-	-	-	-
Tangible fixed assets	380	576	510	445	438
Associates	0	0	0	0	0
Goodwill	-	-	-	-	-
Other intangible assets	50	49	49	49	49
Other assets	726	817	907	1,108	1,274
Total assets	**53,909**	**55,260**	**53,334**	**57,121**	**60,585**
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	40,593	41,742	38,567	41,649	44,358
Non interest bearing liabilities	955	833	851	870	890
Hybrid Capital	-	-	-	-	-
Total liabilities	**41,548**	**42,575**	**39,418**	**42,519**	**45,248**
Share capital	5,663	5,663	6,229	6,229	6,229
Reserves	6,698	7,022	7,686	8,372	9,108
Total equity	**12,361**	**12,685**	**13,916**	**14,602**	**15,337**
Non-controlling interest	0	0	0	0	0
Total liabilities & equity	**53,909**	**55,260**	**53,334**	**57,121**	**60,585**
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	50,614	53,351	52,908	53,762	57,244
Average interest bearing liabilities	38,555	41,168	40,154	40,108	43,003
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)	51,528	53,860	53,025	53,621	57,002
Per share (THB)					
Book value per share	2.18	2.24	2.23	2.34	2.46
Tangible book value per share	2.17	2.23	2.23	2.34	2.45
Growth					
Gross customer loans	9.1	0.4	(3.9)	6.2	6.3
Average interest earning assets	5.2	5.4	(0.8)	1.6	6.5
Total asset (%)	9.5	2.5	(3.5)	7.1	6.1
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	22.9	23.0	26.1	25.6	25.3
Tangible equity/assets (%)	22.8	22.9	26.0	25.5	25.2
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	5.8	4.5	(1.6)	1.1	6.3
NPL/gross loans (%)	86.2	89.7	91.9	87.4	87.5
Allowance for ECL/gross loans (%)	2.6	2.8	2.7	2.7	2.6
Allowance for ECL/NPL (%)	3.0	3.1	3.0	3.0	3.0

Valuation	2022	2023	2024E	2025E	2026E
Recurring P/E (x) *	7.0	9.5	9.7	9.4	8.9
Recurring P/E @ target price (x) *	7.4	10.0	10.3	10.0	9.3
Reported P/E (x)	7.0	9.5	9.7	9.4	8.9
Dividend yield (%)	7.9	0.9	5.7	5.8	6.2
Price/book (x)	1.0	1.0	1.0	0.9	0.9
Price/tangible book (x)	1.0	1.0	1.0	0.9	0.9
Price/tangible book @ target price (x)	1.0	1.0	1.0	1.0	0.9
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Ratchthani Leasing; FSSIA estimates

Ratchthani Leasing PCL (THANI TB)

Exhibit 55: FSSIA ESG score implication

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

Sources: FSSIA estimates

Exhibit 56: ESG – peer comparison

	FSSIA ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
			---- Domestic ratings ----					---- Global ratings ----						--- Bloomberg ---	
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
ASK	25.25	--	--	--	4.00	5.00	Certified	Medium	--	--	--	--	--	--	--
SAK	45.28	--	Y	Y	4.00	4.00	Certified	High	40.10	--	--	43.87	--	2.02	36.23
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04
THANI	55.07	--	Y	Y	5.00	5.00	Certified	Medium	41.07	B	--	53.43	23.00	2.29	41.91
TIDLOR	36.71	--	--	--	4.00	4.00	Certified	Medium	37.03	--	--	23.69	19.00	1.66	--

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 57: ESG score by Bloomberg

FY ending Dec 31	FY 2021	FY 2022
ESG financial materiality scores - ESG score	**2.23**	**3.10**
BESG environmental pillar score	3.25	3.80
BESG social pillar score	1.24	2.51
BESG governance pillar score	3.87	3.92
ESG disclosure score	**42.22**	**42.56**
Environmental disclosure score	25.28	25.28
Social disclosure score	20.13	21.16
Governance disclosure score	81.10	81.10
Environmental		
Emissions reduction initiatives	Yes	Yes
Climate change policy	Yes	Yes
Climate change opportunities discussed	No	No
Risks of climate change discussed	No	No
GHG scope 1	—	—
GHG scope 2 location-based	0	0
GHG Scope 3	—	—
Carbon per unit of production	—	—
Biodiversity policy	No	No
Energy efficiency policy	Yes	Yes
Total energy consumption	—	—
Renewable energy use	—	—
Electricity used	1	1
Fuel used - natural gas	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 58: ESG score by Bloomberg *(cont.)*

FY ending Dec 31	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No
Waste reduction policy	Yes	Yes
Hazardous waste	—	—
Total waste	0	0
Waste recycled	—	—
Waste sent to landfills	—	—
Environmental supply chain management	Yes	Yes
Water policy	Yes	Yes
Water consumption	4	4
Social		
Human rights policy	Yes	Yes
Policy against child labor	No	No
Quality assurance and recall policy	No	No
Consumer data protection policy	No	Yes
Equal opportunity policy	Yes	Yes
Gender pay gap breakout	No	No
Pct women in workforce	55	55
Pct disabled in workforce	0	0
Business ethics policy	Yes	Yes
Anti-bribery ethics policy	Yes	Yes
Health and safety policy	Yes	Yes
Lost time incident rate - employees	0	0
Total recordable incident rate - employees	0	0
Training policy	No	No
Fair remuneration policy	No	No
Number of employees – CSR	465	482
Employee turnover pct	—	—
Total hours spent by firm - employee training	1,339	2,993
Social supply chain management	Yes	Yes
Governance		
Board size	**12**	**12**
No. of independent directors (ID)	**5**	**5**
No. of women on board	2	2
No. of non-executive directors on board	10	10
Company conducts board evaluations	Yes	Yes
No. of board meetings for the year	6	6
Board meeting attendance pct	100	100
Board duration (years)	3	3
Director share ownership guidelines	No	No
Age of the youngest director	45	46
Age of the oldest director	83	77
No. of executives / company managers	**6**	**6**
No. of female executives	1	1
Executive share ownership guidelines	No	No
Size of audit committee	**5**	**5**
No. of ID on audit committee	5	5
Audit committee meetings	4	4
Audit meeting attendance %	100	100
Size of compensation committee	**3**	**3**
No. of ID on compensation committee	2	2
No. of compensation committee meetings	2	2
Compensation meeting attendance %	100	100
Size of nomination committee	**3**	**3**
No. of nomination committee meetings	2	2
Nomination meeting attendance %	100	100
Sustainability governance		
Verification type	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for **THSI inclusion**, verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. **SETTHSI Index** is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). *(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)*	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. *(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.)*	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. *Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.*	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored.

NEGL	Low	Medium	High	Severe
0-10	10-20	20-30	30-40	40+

ESG score	Methodology	Rating
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.	

AAA	8.571-10.000	**Leader:**	leading its industry in managing the most significant ESG risks and opportunities
AA	7.143-8.570		
A	5.714-7.142		
BBB	4.286-5.713	**Average:**	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
BB	2.857-4.285		
B	1.429-2.856		
CCC	0.000-1.428	**Laggard:**	lagging its industry based on its high exposure and failure to manage significant ESG risks

ESG score	Methodology	Rating
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. *(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)*	
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
Ratchthani Leasing	THANI TB	THB 2.16	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) a downtrend in the policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster than-expected decline in ECL expenses.
Muangthai Capital	MTC TB	THB 43.75	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Srisawad Corp	SAWAD TB	THB 35.75	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.
Ngern Tid Lor	TIDLOR TB	THB 18.70	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.
Saksiam Leasing	SAK TB	THB 5.10	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 130.50	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Krungthai Card	KTC TB	THB 43.25	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Asia Sermkij Leasing PCL	ASK TB	THB 13.50	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 7.70	HOLD	Downside risks to our NAV-based TP include 1) lower cash collection than estimated; 2) lower-than-expected bad debt acquisition; and 3) a slowdown in the property market. Upsides include 1) better-than-expected economic conditions and debt repayment momentum; and 2) an acceleration in the demand for NPAs.
JMT Network Services	JMT TB	THB 14.60	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
Chayo Group	CHAYO TB	THB 3.28	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

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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 19-Jun-2024 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.