

17 JULY 2024

EQUITY RESEARCH - COMPANY REPORT

**MUANGTHAI CAPITAL**  
 THAILAND / FINANCE & SECURITIES

**MTC TB**
**FINANSIA**  
 FSS INTERNATIONAL INVESTMENT ADVISORY

FSSIA ESG rating


**BUY**

UNCHANGED

TARGET PRICE	THB50.00
CLOSE	THB41.00
UP/DOWNSIDE	+22.0%
PRIOR TP	THB50.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+2.3%

## Stabilized 2Q24E collection and profit

- Expect 2Q24 performance to remain positive following its cost control efficiency.
- There is no alarming trend in asset quality regarding the collection, NPL ratio, and credit costs.
- We maintain our BUY call with a 2024 TP of THB50.

### Expect 2Q24 to grow despite several macro headwinds

We expect 2Q24 net profit to grow by 0.8% q-q and 16.6% y-y, amounting to THB1.40b. PPOP should also rise by 1.4% q-q and 9.0% y-y, amounting to THB2.91b. Despite several macro headwinds, MTC reaffirms that its loans could grow in line with its 15-20% y-y 2024 guidance (we expect a rise of 5.3% q-q, 17.0% y-y, and 8.5% YTD), despite having a debt-selling equivalent to 1Q24 at cTHB900m. The main growth contributors remain secured – two and four-wheeled vehicles and land title loans – while the unsecured segment – personal loans and nano-finance – has slowed. We anticipate the loan spread to correct by 48bp to 13.30% in 2Q24 from the effects of a continued rise in the cost of funds and lower loan yields following a greater concentration in low-yield land title loans. Due to fewer new branch openings in 2Q24, 192 vs 251 units in 1Q24, together with no extra incentives for its collection staff, MTC may be able to manage down the cost-to-income ratio to 47.6% in the quarter, aligning with its 2024 guidance of 46-47%.

### Controllable asset quality with no alarms

We observe no alarming signals in MTC's 2Q24E asset quality. The expected stable NPL ratio of 3.01% and a slight decrease in credit costs to 3.10% align with its 2024 guidance of not exceeding 3.20% and 3.50%, respectively. Hence, the coverage ratio could stabilize at c120.2% in the quarter. MTC has colored the loss on sales of repossessed vehicles to be better for the motorcycle segment but a bit volatile for cars. It also has an optimistic view of the government's upcoming digital wallet scheme in 4Q24, supporting better collection and asset quality trends.

### Loans continue to be main driver of 2024-26E net profit growth

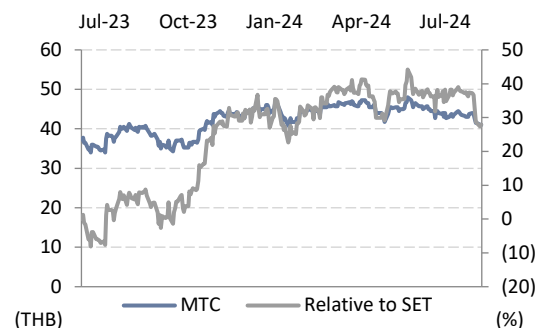
We maintain our 2024-26 net profit forecast to grow at a 23.1% CAGR, driven by average loan growth of 14.7-19.5% p.a. (from aggressive branch openings during 2022-23 and improved branch efficiencies), focusing on the secured segment. Meanwhile, a steady decline in credit costs to 2.67% in 2026E could offset the projected stable loan spread at an average of 13.84-13.85% over 2024-26.

### Maintain 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 (%)	-	7.0	12.4	8.9
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)	17.7	13.8	11.1	9.5
Dividend yield (%)	0.5	0.7	0.8	1.0
Price/book (x)	2.7	2.3	1.9	1.6
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 (%)	(4.1)	(6.8)	13.1
Relative to country (%)	(5.2)	(1.5)	29.9
Mkt cap (USD m)	2,407		
3m avg. daily turnover (USD m)	10.3		
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 validate 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 a reduction in the market interest rate.
- 3) We expect 2024-26 net profit to grow at a 23.1% CAGR, driven by average loan growth of 14.7-19.5% p.a. (from aggressive branch openings and improved branch efficiencies) and a lower credit cost.

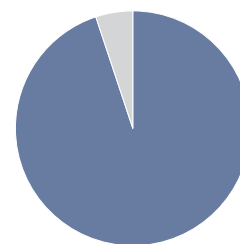
## Company profile

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)

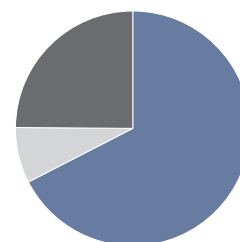
- Net interest income - 94.9 %
- Non-interest income - 5.1 %



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
6 Aug 2024	2Q24 results announcement
8 Aug 2024	Analyst meeting

## 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 1: MTC – 2Q24 earnings preview

	2Q23	3Q23	4Q23	1Q24	2Q24E	---- Change ----		1H23	1H24E	Change	% of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	2024E	(THB m)	(y-y%)
Interest income	5,754	6,063	6,287	6,353	6,482	2.0	12.7	11,151	12,835	15.1	46	27,968	19.0
Interest expense	(909)	(1,004)	(1,096)	(1,130)	(1,220)	7.9	34.3	(1,756)	(2,350)	33.8	45	(5,240)	35.9
Net interest income	4,845	5,059	5,191	5,223	5,262	0.8	8.6	9,394	10,485	11.6	46	22,727	15.7
Fee and other income	287	236	269	278	288	3.7	0.2	521	565	8.6	52	1,096	6.8
Total income	5,132	5,295	5,459	5,500	5,550	0.9	8.1	9,915	11,050	11.4	46	23,823	15.3
Operating expenses	(2,463)	(2,391)	(2,496)	(2,630)	(2,640)	0.4	7.2	(4,815)	(5,270)	9.5	47	(11,182)	15.3
PPOP before taxes	2,669	2,904	2,963	2,870	2,910	1.4	9.0	5,100	5,780	13.3	46	12,641	15.3
Expected credit losses	(1,017)	(965)	(998)	(858)	(886)	3.2	(12.9)	(1,971)	(1,744)	(11.5)	45	(3,875)	(1.5)
Profit after ECL	1,653	1,939	1,965	2,012	2,024	0.6	22.5	3,129	4,036	29.0	46	8,766	24.6
Gain (loss) from car repossessed	(183)	(334)	(278)	(276)	(274)	(0.7)	49.6	(295)	(550)	86.6	61	(900)	(0.7)
Operating profit	1,469	1,605	1,687	1,736	1,750	0.8	19.1	2,834	3,486	23.0	44	7,866	28.4
Income tax	(269)	(320)	(336)	(347)	(350)	1.0	29.9	(564)	(697)	23.4	44	(1,573)	29.0
<b>Net profit</b>	<b>1,200</b>	<b>1,285</b>	<b>1,351</b>	<b>1,389</b>	<b>1,400</b>	<b>0.8</b>	<b>16.6</b>	<b>2,270</b>	<b>2,789</b>	<b>22.9</b>	<b>44</b>	<b>6,292</b>	<b>28.2</b>
EPS (THB)	0.57	0.61	0.64	0.66	0.66	0.8	16.6	1.07	1.32	22.9	44	2.97	28.2
Loans	131,257	137,081	141,559	145,859	153,626	5.3	17.0	131,257	137,081	4.4		165,408	19.5
Interest bearing debt	106,327	112,329	114,770	116,820	126,136	8.0	18.6	106,327	112,329	5.6		134,775	17.4
<b>Key ratios</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>	<b>1Q24</b>	<b>2Q24E</b>			<b>1H23</b>	<b>1H24E</b>			<b>2024E</b>	
	(%)	(%)	(%)	(%)	(%)			(%)	(%)			(%)	
Yield on loan	18.02	18.08	18.05	17.68	17.32			19.08	20.86			18.04	
Cost of funds	3.55	3.67	3.86	3.90	4.02			3.64	4.04			4.20	
Spread	14.47	14.40	14.19	13.78	13.30			15.23	14.07			13.84	
Cost-to-income ratio	47.99	45.15	45.72	47.82	47.57			48.56	47.70			46.94	
Credit cost (including losses from car repossessions)	3.76	3.87	3.66	3.16	3.10			3.82	3.22			3.08	
NPL / Loan	3.41	3.22	3.15	3.06	3.01			3.41	3.01			3.10	
LLR / Loan	3.58	3.55	3.65	3.70	3.61			3.58	3.61			2.99	
Coverage ratio	105.1	110.3	115.9	120.8	120.2			105.1	120.2			115.4	
D/E (x)	3.7	3.7	3.7	3.6	3.8			3.7	3.8			3.7	
IDBE (x)	3.6	3.7	3.6	3.5	3.7			3.6	3.7			3.6	
S/T debt/total debt (x)	5.3	7.7	11.1	11.6	10.3			5.3	10.3			5.3	
Loan growth q-q	5.7	4.4	3.3	3.0	5.3								
Loan growth y-y	23.6	21.1	18.9	17.4	17.0			23.6	17.0			19.5	
Loan growth YTD	10.2	15.1	18.9	3.0	8.5			10.2	8.5				

Sources: MTC; FSSIA estimates

## Exhibit 2: MTC – Staged loans and ECL

MTC	2021	2022	2023	1Q24	2021	2022	2023	1Q24
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(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 stage 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				

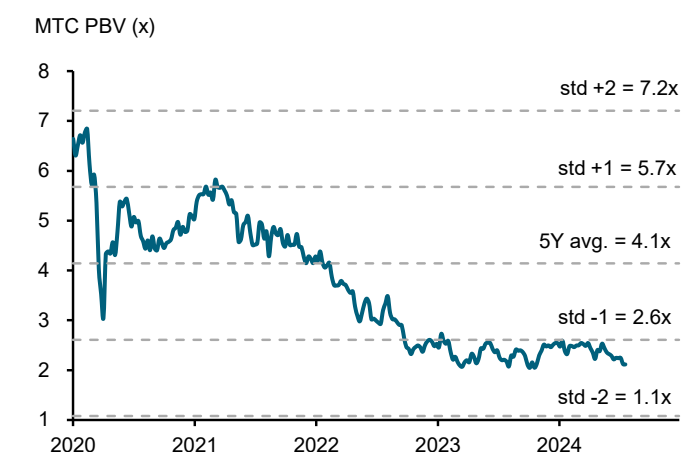
Sources: MTC; FSSIA's compilation

Exhibit 3: 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>

Source: FSSIA estimates

Exhibit 5: MTC – one-year prospective P/BV band



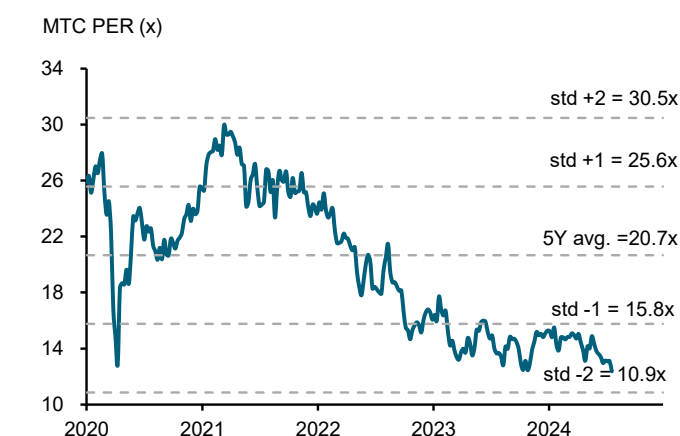
Sources: Bloomberg; FSSIA estimates

Exhibit 4: Share price performance of non-banks under coverage, as of 16 July 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	(5.3)	(10.9)	(18.8)	(21.2)	(18.4)
<b>MTC TB</b>	<b>(4.7)</b>	<b>(5.7)</b>	<b>(4.7)</b>	<b>8.6</b>	<b>(8.9)</b>
SAWAD TB	1.4	1.8	1.1	(15.6)	0.5
AEONTS TB	(9.5)	(26.1)	(22.0)	(28.3)	(25.6)
KTC TB	(8.2)	(11.3)	(7.6)	(15.6)	(9.8)
SAK TB	2.9	9.5	28.6	6.0	27.4
ASK TB	0.0	(20.1)	(32.2)	(46.5)	(32.2)
THANI TB	0.0	(9.4)	(10.3)	(28.0)	(10.3)
JMT TB	(17.4)	(40.5)	(48.6)	(64.9)	(49.8)
BAM TB	(8.8)	(26.0)	(9.9)	(32.9)	(11.0)
CHAYO TB	(7.3)	(30.3)	(37.9)	(49.8)	(39.1)
<b>SETFIN</b>	<b>(5.5)</b>	<b>(15.4)</b>	<b>(17.1)</b>	<b>(26.2)</b>	<b>(18.8)</b>
<b>SET</b>	<b>1.9</b>	<b>(3.3)</b>	<b>(4.3)</b>	<b>(13.6)</b>	<b>(6.7)</b>

Source: Bloomberg

Exhibit 6: MTC – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 7: Peers comparison, as of 16 July 2024

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE 24E (x)	25E (x)	PBV 24E (x)	25E (x)	ROE 24E (%)	25E (%)	Div yld 24E (x)	25E (x)
Auto title													
Muangthai Capital	MTC TB	BUY	41.00	50.00	22.0	13.8	11.1	2.3	1.9	18.1	19.0	0.7	0.8
Srisawad Corp	SAWAD TB	HOLD	37.00	40.00	8.1	10.3	9.1	1.8	1.5	18.4	18.2	1.1	1.1
Ngern Tid Lor	TIDLOR TB	BUY	17.70	21.00	18.6	11.0	9.3	1.6	1.4	15.4	16.2	2.7	3.2
Saksiam Leasing	SAK TB	HOLD	5.30	5.28	(0.4)	13.4	11.7	1.8	1.6	13.7	14.4	3.1	3.6
Unsecured finance													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	119.00	145.00	21.8	9.2	8.6	1.1	1.1	12.8	12.6	4.6	4.9
Krungthai Card	KTC TB	HOLD	39.25	40.00	1.9	13.2	12.7	2.5	2.3	20.3	19.0	3.4	3.6
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	2.12	2.28	7.5	9.5	9.3	0.9	0.9	10.1	10.0	5.8	5.9
AMCs													
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	7.25	8.75	20.7	13.2	12.3	0.5	0.5	4.1	4.3	5.2	5.3
JMT Network services	JMT TB	HOLD	12.80	17.00	32.8	11.4	9.4	0.7	0.7	6.1	7.2	5.3	6.4
Chayo Group	CHAYO TB	HOLD	3.32	4.20	26.5	13.0	8.4	1.0	0.9	8.1	11.1	2.0	1.8
Average						11.5	9.9	1.4	1.2	12.3	12.8	4.1	4.0

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

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) *	17.1	17.7	13.8	11.1	9.5
Recurring P/E @ target price (x) *	20.8	21.6	16.8	13.5	11.6
Reported P/E (x)	17.1	17.7	13.8	11.1	9.5
Dividend yield (%)	2.3	0.5	0.7	0.8	1.0
Price/book (x)	3.0	2.7	2.3	1.9	1.6
Price/tangible book (x)	3.0	2.7	2.3	1.9	1.6
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

# Muangthai Capital PCL (MTC TB)

FSSIA ESG rating

★★★★

Exhibit 8: FSSIA ESG score implication

68.21 /100

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 9: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings					Bloomberg		
	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
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
MTC	68.21	--	Y	Y	5.00	5.00	Certified	Low	42.19	AA	--	58.09	42.00	3.31	--
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04
TIDLOR	36.71	--	--	--	4.00	4.00	Certified	Medium	37.03	--	--	23.69	19.00	1.66	--
SAK	45.28	--	Y	Y	4.00	4.00	Certified	High	40.10	--	--	43.87	--	2.02	36.23
TK	15.00	--	--	--	5.00	5.00	--	--	--	--	--	--	--	--	--
HENG	20.00	--	--	--	5.00	5.00	Certified	--	--	--	--	--	--	--	--
S11	13.00	--	--	--	4.00	4.00	--	--	--	--	--	--	--	--	--
NCAP	18.00	--	--	--	4.00	4.00	Certified	--	--	--	--	--	--	--	--

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 10: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	1.36	1.51	2.07	2.16	2.39	4.00	3.27	3.31
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.12	0.02	0.03	—
BESG social pillar score	0.37	0.58	1.37	1.37	1.69	4.57	3.27	—
BESG governance pillar score	4.42	4.41	4.57	4.91	4.95	4.95	4.82	—
ESG disclosure score	26.85	32.18	32.89	35.76	39.62	44.88	50.20	52.08
Environmental disclosure score	0.00	0.00	0.00	0.33	7.28	15.22	32.74	34.40
Social disclosure score	11.67	15.84	17.41	25.70	30.35	31.92	30.35	34.34
Governance disclosure score	68.72	80.52	81.10	81.10	81.10	87.36	87.36	87.36
Environmental								
Emissions reduction initiatives	No	No	No	No	No	No	No	No
Climate change policy	No	No	No	No	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	Yes	Yes	Yes	Yes	Yes
GHG scope 1	—	—	—	—	2	7	6	8
GHG scope 2 location-based	—	—	—	—	—	16	18	21
GHG Scope 3	—	—	—	—	—	1	1	1
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	No	No	No	No	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	—	9	55	36	69
Renewable energy use	—	—	—	—	—	—	0	—
Electricity used	—	—	—	—	—	32	36	42
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation



**Exhibit 11: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	No	No	No	No	Yes	Yes	Yes	Yes
Hazardous waste	—	—	—	—	—	—	—	—
Total waste	—	—	—	—	—	—	—	—
Waste recycled	—	—	—	—	—	—	—	—
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	No	No	No	Yes	Yes
Water policy	No	No	No	No	Yes	Yes	Yes	Yes
Water consumption	—	—	—	—	—	987	—	—
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	No	No	No	No	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	Yes
Pct women in workforce	—	—	—	—	—	11	11	10
Pct disabled in workforce	—	—	0	0	0	0	—	—
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	—	—	—	0
Total recordable incident rate - employees	—	—	—	—	1	1	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
Number of employees – CSR	2,617	4,185	5,893	7,660	9,576	10,328	11,460	13,005
Employee turnover pct	—	—	—	—	—	—	—	29
Total hours spent by firm - employee training	—	—	—	70,395	60,328	34,082	34,036	78,030
Social supply chain management	No	No	No	No	No	No	No	Yes
<b>Governance</b>								
Board size	7	7	7	7	8	8	7	7
No. of independent directors (ID)	5	5	5	5	5	5	4	4
No. of women on board	2	2	3	3	3	3	3	3
No. of non-executive directors on board	5	5	5	5	6	6	5	5
Company conducts board evaluations	No	No	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	6	5	7	7	6	9	8	8
Board meeting attendance pct	100	100	96	100	94	96	100	100
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	56	57	58	59	36	39	40	41
Age of the oldest director	67	68	69	70	71	72	73	74
No. of executives / company managers	12	12	12	13	13	12	13	13
No. of female executives	3	3	3	3	3	3	3	3
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	4	4	4	4	4	4	4	7
Audit meeting attendance %	100	100	92	100	92	100	100	100
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	3	3	3	3	3	3	2	2
No. of compensation committee meetings	—	1	2	2	2	2	3	2
Compensation meeting attendance %	—	100	83	100	83	83	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	—	1	2	2	2	2	1	2
Nomination meeting attendance %	—	100	83	100	83	83	100	100
<b>Sustainability governance</b>								
Verification type	No	No	No	No	No	Yes	Yes	Yes

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 <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="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities																			
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B	1.429-2.856																					
CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

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

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

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Company	Ticker	Price	Rating	Valuation & Risks
Muangthai Capital	MTC TB	THB 41.00	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 5.30	HOLD	Upside risks to our GGM-derived TP include 1) loan expansion on a broad-based economic recovery; 2) a reduction in cost of funds due to the downward interest rate trend; and 3) an accelerated decrease in credit costs on rising consumer purchasing power. Downside risks include 1) competition from existing and new players; 2) regulatory changes by the BoT; and 3) slower-than-expected reduction in cost of funds due to a shift toward more long-term loans.
Krungthai Card	KTC TB	THB 39.25	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 119.00	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.
Ngern Tid Lor	TIDLOR TB	THB 17.70	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.
Srisawad Corp	SAWAD TB	THB 37.00	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.
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.
Ratchthani Leasing	THANI TB	THB 2.12	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) a downtrend in the policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
JMT Network Services	JMT TB	THB 12.80	HOLD	Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks include 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense
Bangkok Commercial Asset Mngt.	BAM TB	THB 7.25	HOLD	Downside risks to our NAV-based TP include 1) lower cash collection than estimated; 2) lower-than-expected bad debt acquisition; and 3) a slowdown in the property market. Upsides include 1) better-than-expected economic conditions and debt repayment momentum; and 2) an acceleration in the demand for NPAs.
Chayo Group	CHAYO TB	THB 3.32	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 16-Jul-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.