

CHAYO GROUP CHAYO TB  
THAILAND / FINANCE & SECURITIES

HOLD

UNCHANGED

## ECL พิเศษเพิ่มเติมใน 2Q24

- คาดการณ์กำไรสุทธิ 2Q24 น่าจะออกมาใกล้เคียงอยู่ที่ 83 ลบ. โดยมีปัจจัยต่างจากค่าใช้จ่าย ECL พิเศษ
- การลงทุนในหนี้ด้วยคุณภาพเริ่มเร่งตัว q-q ส่วนมากจากสินเชื่อส่วนบุคคลที่ไม่มีหลักประกันที่เกินกำหนดชำระประมาณ 5 เดือน
- เรคาดคำแนะนำถือ แต่ปรับลดราคาเป้าหมายปี 2024 เป็น 3.00 บาท

TARGET PRICE	THB3.00
CLOSE	THB2.76
UP/DOWNSIDE	+8.7%
PRIOR TP	THB4.20
CHANGE IN TP	-28.6%
TP vs CONSENSUS	-37.2%

## มีแรงกดดันจาก ECL พิเศษอีกครั้งใน 2Q24

เราคาดว่า CHAYO จะรายงานกำไรสุทธิ 2Q24 ที่น่าผิดหวังโดยอยู่ที่ 83 ลบ. ซึ่งจะเปลี่ยนแปลงโครงสร้างต้นทุน q-q จากฐานที่ต่ำใน 1Q24 แต่ลดลง 9.2% y-y แม้ว่ารายได้จะโตตามคาดใน 2Q24 เราคาดว่าจะมีผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) พิเศษเพิ่มเติมอีก 20 ลบ. จากพอร์ตสินเชื่อประเภทที่มีหลักทรัพย์ค้ำประกันซึ่งลูกหนี้ตกลงที่จะชำระคืนหนี้ในจำนวนที่ต่ำกว่ามูลค่าทางบัญชี (ต้นทุนบวกรายได้ดอกเบี้ยค้างรับ) อยู่ราว 20 ลบ. ในส่วนของการดำเนินงานหลักเราคาดว่ากำไรสุทธิจะลดลงจากหนี้ด้วยคุณภาพใน 2Q24 จะยังอยู่ในเกณฑ์ที่ดีที่ 135 ลบ. ในขณะที่เราคาดว่ากำไรสุทธิจะหดตัว 8.2% q-q จากอิทธิพลของปัจจัยด้านฤดูกาล ตัวเลขดังกล่าวน่าจะโต 47.6% y-y โดยมีปัจจัยหนุนจากการเร่งซื้อพอร์ตหนี้ด้วยคุณภาพประเภทไม่มีหลักทรัพย์ค้ำประกันในช่วง 2H23 คาดพอร์ตสินเชื่อบริษัท (CCAP) ขยายตัวในระดับปานกลางที่ 4.0% q-q, 62.9% y-y, และ 6.1% YTD ต่ำกว่าประมาณการในปี 2024 ของเราที่คาดว่าจะโต 35% y-y จากการอนุมัติสินเชื่อที่เข้มงวดขึ้นจากความกังวลในด้านเศรษฐกิจ ทั้งนี้เรคาดว่ากำไรสุทธิ 1H24 จะหดตัว 55.8% y-y คิดเป็น 30% ของประมาณการกำไรปี 2024 ของเรา

## คงกลยุทธ์ที่เน้นซื้อหนี้แบบไม่มีหลักประกัน

CHAYO รายงานการซื้อหนี้ด้วยคุณภาพที่สูงถึง 2.3 พัน ลบ. ใน 2Q24 (จากเพียง 29 ลบ. ใน 1Q24) เราคาดว่า CHAYO จะมุ่งไปที่การซื้อหนี้ด้วยคุณภาพชนิดไม่มีหลักทรัพย์ค้ำประกัน (Credit Card/Personal Loans) ที่พึ่งขาดชำระมาไม่นานอย่างต่อเนื่องโดยคาดว่าจะมีสัดส่วนต้นทุนต่อมูลหนี้ในระดับสูงถึง 8% หรือคิดเป็นมูลค่าการซื้อที่ 190 ลบ. อย่างไรก็ตามเราคิดว่ากลยุทธ์ดังกล่าวจะช่วยเร่งกระแสเงินสดจากการเก็บหนี้ได้เร็ว ซึ่งคาดว่าจะเห็นผลได้ใน 4Q24 เป็นต้นไป

## คงประมาณการกำไรสุทธิปี 2024-26

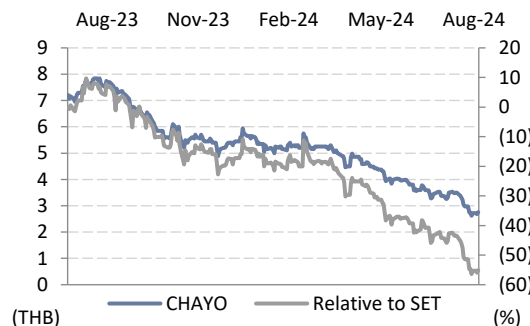
เราคงประมาณการกำไรสุทธิปี 2024-26 ของเราโดยคาดว่ากำไรปี 2024 จะลดลง 25.7% y-y ส่วนมากจาก ECL พิเศษในช่วง 1H24 ก่อนปรับขึ้นเป็น 35% CAGR ในช่วง 2025-26 ใน 3Q24 จะเข้าสู่ช่วง High Season ของธุรกิจบริหารสินทรัพย์ พร้อมการเก็บเงินสดที่น่าจะเร่งตัวขึ้น CHAYO เปิดเผยว่าบริษัท จะได้รับชำระจากการขายสินทรัพย์ด้วยคุณภาพขนาดกลางหนึ่งชิ้น ซึ่งเราคาดว่าจะทำให้เกิดกำไรจากสินทรัพย์ด้วยคุณภาพราว 10 ลบ. จึงคาดว่าจะช่วยหนุนกำไรสุทธิให้โตทั้ง q-q และ y-y ใน 3Q24

## คงคำแนะนำถือ แต่ปรับลดราคาเป้าหมายเป็น 3.00 บาท

เรคาดคำแนะนำถือ CHAYO จากสถานะเศรษฐกิจจุลภาพที่อ่อนตัวลง ราคาเป้าหมายของเราลดลงเหลือ 3.00 (จาก 4.20) บาท (GGM) คิดเป็นค่า P/BV อยู่ที่ 0.87x (จาก 1.20x) สะท้อนความไม่แน่นอนทางเศรษฐกิจที่สูงขึ้น สะท้อนบน COE ที่สูงขึ้นเป็น 9.9% (จาก 9.4%) ในขณะที่ LT ROE คงอยู่ที่ 9.6%

## KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	570	561	759	876
Net profit	391	291	451	527
EPS (THB)	0.34	0.26	0.40	0.46
vs Consensus (%)	-	(23.5)	(8.0)	2.2
Recurring net profit	391	291	451	527
Core EPS (THB)	0.34	0.26	0.40	0.46
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	45.5	(25.7)	55.1	17.0
Core P/E (x)	8.0	10.8	7.0	6.0
Dividend yield (%)	-	2.4	2.2	2.5
Price/book (x)	0.9	0.8	0.7	0.6
ROE (%)	12.4	8.1	11.1	11.3
ROA (%)	5.4	4.4	5.2	5.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(18.3)	(37.6)	(62.0)
Relative to country (%)	(19.6)	(35.3)	(55.2)
Mkt cap (USD m)	88		
3m avg. daily turnover (USD m)	0.3		
Free float (%)	21		
Major shareholder	Yasasin Family (33%)		
12m high/low (THB)	8.09/2.60		
Issued shares (m)	1,137		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 1 สิงหาคม 2024

## Investment thesis

We have a HOLD recommendation for CHAYO over:

- 1) A heavy one-time ECL worth THB130m in total in 1Q24 due to the re-evaluation of its right of claim from a large NPL receivable and lower cash flow from certain hire purchase (HP) car portfolios following a court order.
- 2) Our 2024-26E net profit exhibits a growth rate of 10% CAGR over an expansion in both its AMC and CCAP portfolios. For 3Q24, we expect net profit to recover, exhibiting growth both q-q and y-y for some visibility on its NPA sales and to reflect the business' high season.
- 3) Our GGM-based TP of THB3.00 offers a limited upside to the current share price, implying a P/BV ratio of 0.87x at an LT ROE of 9.6% and COE of 9.9%.

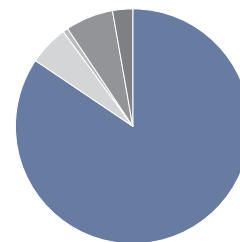
## Company profile

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

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

## Principal activities (revenue, 1Q24)

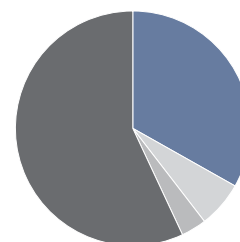
- NPLs management - 84.4 %
- NPAs management - 5.5 %
- Debt collection - 0.7 %
- Loan business - 6.6 %
- Other income - 2.8 %



Source: Chayo Group

## Major shareholders

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



Source: Chayo Group

## Catalysts

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

## Risks to our call

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

## Event calendar

Date	Event
14 Aug 2024	2Q24 results announcement
16 Aug 2024	Opportunity day

## Key assumptions

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

Source: FSSIA estimates

## Earnings sensitivity

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

Source: FSSIA estimates

## Exhibit 1: CHAYO – 2Q24 earnings preview

	2Q23	3Q23	4Q23	1Q24	2Q24E	----- Change -----		1H24E	Change	% of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(y-y %)	24E	(THB m)	(y-y %)
Interest income from debt management	311	335	405	444	446	0.3	43.1	890	41.6	52	1,721	25.7
Interest income from loans	26	28	31	37	39	6.0	49.8	77	60.7	42	181	69.1
Total interest income	338	363	436	482	485	0.8	43.6	967	43.0	51	1,902	28.9
Interest expense	65	65	75	76	81	7.1	25.5	157	38.3	49	324	27.4
Net interest income	273	298	361	406	404	(0.4)	47.9	810	43.9	51	1,578	29.2
Non- interest income	28	26	71	22	21	(2.9)	(24.6)	44	(10.3)	47	92	(36.8)
Total operating income	302	324	432	428	425	(0.6)	41.1	853	39.6	51	1,670	22.2
Operating expenses	87	105	119	104	115	10.7	32.1	219	32.2	47	467	19.9
Pre-provision operating profit	214	219	313	324	310	(4.2)	44.7	634	42.3	53	1,202	23.0
Expected credit loss	84	107	133	265	161	(39.1)	92.2	426	155.4	66	641	57.6
Operating profit	130	112	180	59	149	152.9	14.2	208	(25.4)	37	561	(1.6)
Income tax expenses	28	25	39	16	30	81.1	7.7	46	(19.7)	41	112	(7.5)
Minority interest	11	11	21	39	36	(8.7)	226.1	75	195.3	47	158	174.2
<b>Net profit</b>	<b>92</b>	<b>76</b>	<b>120</b>	<b>3</b>	<b>83</b>	<b>n/a</b>	<b>(9.2)</b>	<b>86</b>	<b>(55.8)</b>	<b>30</b>	<b>291</b>	<b>(25.7)</b>
EPS (THB)	0.08	0.07	0.11	0.00	0.07	n/a	(11.0)	0.08	(57.4)	30	0.26	(25.7)
Key financial highlights												
Acquisition of loans to NPA	60	592	782	8	190	2,151.4	214.9	198	44.9	20	1,000	(33.8)
Cash collection	92	106	137	147	135	(8.2)	47.6	282	43.5	64	444	1.1
Accumulated cash collection to investment (%)	43	40	37	40	40			40			38	
Key financial ratios												
D/E (x)	1.07	1.07	1.17	1.28	1.30			1.30			1.09	
IBD/E (x)	1.00	1.00	1.09	1.19	1.22			1.22			1.01	
ROAA (%)	4.37	3.54	5.34	0.13	3.29			1.84			2.88	
ROAE (%)	9.11	7.32	11.33	0.30	7.55			3.38			5.44	
Cost of funds (%)	6.30	6.32	6.81	6.18	6.11			6.56			6.52	
Cost to income (%)	28.86	32.46	27.60	24.28	27.02			25.65			28.00	
Credit cost (bp)	577	673	733	1339	815			1238			764	

Sources: CHAYO; FSSIA estimates

## Exhibit 2: CHAYO – GGM-based 2024 TP

Gordon Growth Model	New	Previous
	(%)	(%)
LT-ROE	9.6	9.6
Terminal growth rate	8.0	8.0
Risk-free rate	3.0	3.0
Expected market return	8.0	8.0
Market risk premium	5.0	5.0
Beta	1.4	1.3
COE	9.9	9.4
BVS (THB)	3.59	3.59
<b>PBV (x)</b>	<b>0.87</b>	<b>1.20</b>

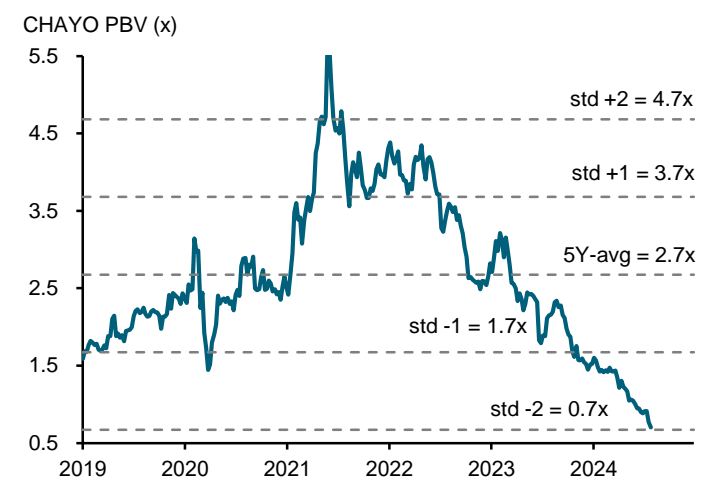
Source: FSSIA estimates

## Exhibit 3: Share price performance of non-banks under coverage, as of 31 July 2024

	----- Price performance -----				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
TIDLOR TB	(13.0)	(23.4)	(23.2)	(24.2)	(26.3)
MTC TB	(4.0)	(8.8)	(2.9)	16.9	(7.8)
SAWAD TB	(1.5)	(10.8)	(5.6)	(22.6)	(9.7)
AEONTS TB	(6.0)	(27.2)	(21.4)	(24.7)	(26.6)
KTC TB	(4.3)	(8.7)	(9.2)	(16.5)	(9.8)
SAK TB	(0.9)	8.0	31.3	11.2	26.2
ASK TB	(14.7)	(31.0)	(41.4)	(52.7)	(41.7)
THANI TB	(17.4)	(22.9)	(19.9)	(36.4)	(21.7)
JMT TB	(9.7)	(41.5)	(40.4)	(68.8)	(52.5)
BAM TB	(6.7)	(30.2)	(13.1)	(36.8)	(14.7)
<b>CHAYO TB</b>	<b>(14.3)</b>	<b>(34.8)</b>	<b>(42.4)</b>	<b>(60.3)</b>	<b>(47.2)</b>
<b>SETFIN</b>	<b>(6.9)</b>	<b>(19.1)</b>	<b>(18.4)</b>	<b>(28.6)</b>	<b>(22.3)</b>
<b>SET</b>	<b>1.9</b>	<b>(3.2)</b>	<b>(3.2)</b>	<b>(14.9)</b>	<b>(6.4)</b>

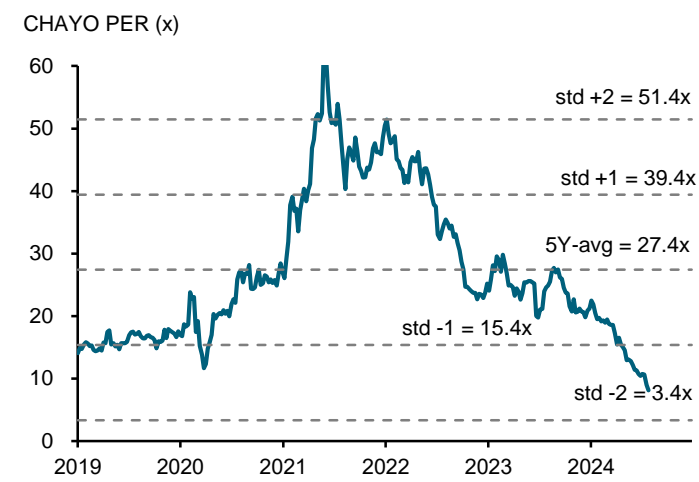
Source: Bloomberg

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



Sources: Bloomberg; FSSIA estimates

**Exhibit 5: CHAYO – one-year prospective PER band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 6: Peers comparison, as of 31 July 2024**

Company name	BBG	Rec	Share	Target	Up	----- PE -----		----- PBV -----		----- ROE -----		---- Div yld ----	
	code					price	price	side	24E	25E	24E	25E	24E
Auto title													
Muangthai Capital	MTC TB	BUY	40.25	50.00	24.2	13.6	10.9	2.3	1.9	18.1	19.0	0.7	0.8
Srisawad Corp	SAWAD TB	HOLD	32.50	40.00	23.1	9.0	8.0	1.6	1.3	18.4	18.2	5.5	1.3
Ngern Tid Lor	TIDLOR TB	BUY	15.60	21.00	34.6	9.7	8.2	1.4	1.2	15.4	16.2	3.1	3.7
Saksiam Leasing	SAK TB	HOLD	5.20	5.28	1.6	13.1	11.5	1.7	1.6	13.7	14.4	3.2	3.7
Unsecured finance													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	114.50	145.00	26.6	8.8	8.3	1.1	1.0	12.8	12.6	4.8	5.1
Krungthai Card	KTC TB	HOLD	39.00	40.00	2.6	13.1	12.6	2.5	2.3	20.3	19.0	3.4	3.6
Hire-purchase truck													
Asia Sermkij Leasing	ASK TB	REDUCE	11.20	10.70	(4.5)	10.0	7.9	0.6	0.5	5.5	6.9	5.0	6.3
Ratchthani Leasing	THANI TB	HOLD	1.77	2.28	28.8	8.0	7.7	0.8	0.8	10.1	10.0	6.9	7.1
AMCs													
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	6.75	8.75	29.6	12.3	11.5	0.5	0.5	4.1	4.3	5.5	5.7
JMT Network services	JMT TB	HOLD	11.40	17.00	49.1	10.2	8.4	0.6	0.6	6.1	7.2	5.9	7.1
Chayo Group	CHAYO TB	HOLD	2.76	3.00	8.7	10.8	7.0	0.8	0.7	8.1	11.1	2.4	2.2
Average						10.8	9.3	1.3	1.1	12.1	12.6	4.2	4.2

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

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Chayo Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	963	1,476	1,902	2,069	2,322
Interest expense	(160)	(254)	(324)	(370)	(430)
Net interest income	804	1,222	1,578	1,699	1,892
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	94	145	92	105	128
Non interest income	94	145	92	105	128
Total income	897	1,367	1,670	1,804	2,020
Staff costs	-	-	-	-	-
Other operating costs	(328)	(390)	(467)	(501)	(562)
Operating costs	(328)	(390)	(467)	(501)	(562)
Pre provision operating profit	569	977	1,202	1,303	1,458
Expected credit loss	(219)	(407)	(641)	(545)	(582)
Other provisions	-	-	-	-	-
Operating profit	350	570	561	759	876
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	350	570	561	759	876
Tax	(75)	(121)	(112)	(152)	(175)
Profit after tax	275	449	449	607	701
Non-controlling interest	(23)	(58)	(158)	(156)	(174)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	252	391	291	451	527
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	252	391	291	451	527
<b>Per share (THB)</b>					
Recurring EPS *	0.24	0.34	0.26	0.40	0.46
Reported EPS	0.24	0.34	0.26	0.40	0.46
DPS	0.04	0.00	0.07	0.06	0.07
<b>Growth</b>					
Net interest income (%)	48.1	52.0	29.2	7.7	11.4
Non interest income (%)	(37.7)	55.0	(36.8)	14.8	21.6
Pre provision operating profit (%)	22.0	71.6	23.0	8.4	11.9
Operating profit (%)	21.3	62.7	(1.6)	35.3	15.5
Reported net profit (%)	5.0	55.2	(25.7)	55.1	17.0
Recurring EPS (%)	(5.3)	45.5	(25.7)	55.1	17.0
Reported EPS (%)	(5.3)	45.5	(25.7)	55.1	17.0
<b>Income Breakdown</b>					
Net interest income (%)	89.6	89.4	94.5	94.2	93.7
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	10.4	10.6	5.5	5.8	6.3
<b>Operating performance</b>					
Gross interest yield (%)	-	-	-	-	-
Cost of funds (%)	6.96	6.52	6.52	6.54	6.55
Net interest spread (%)	(6.96)	(6.52)	(6.52)	(6.54)	(6.55)
Net interest margin (%)	-	-	-	-	-
Cost/income(%)	36.5	28.5	28.0	27.8	27.8
Cost/assets(%)	5.3	4.7	4.6	4.3	4.2
Effective tax rate (%)	21.4	21.3	20.0	20.0	20.0
Dividend payout on recurring profit (%)	16.7	-	25.8	15.0	15.0
ROE (%)	9.1	12.4	8.1	11.1	11.3
ROE - COE (%)	(0.8)	2.6	(1.7)	1.2	1.5
ROA (%)	4.5	5.4	4.4	5.2	5.3
RORWA (%)	-	-	-	-	-
* Pre-exceptional, pre-goodwill and fully diluted					

Sources: Chayo Group; FSSIA estimates

## Financial Statements

### Chayo Group

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	4,264	5,640	6,457	7,297	8,162
Allowance for expected credit loss	(485)	(878)	(1,504)	(2,029)	(2,587)
interest in suspense	1,149	2,127	2,564	3,044	3,568
<b>Net customer loans</b>	<b>4,928</b>	<b>6,889</b>	<b>7,517</b>	<b>8,312</b>	<b>9,143</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,021	623	805	665	437
Other interesting assets	24	39	41	43	45
Tangible fixed assets	78	70	73	77	80
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	1,152	1,704	2,400	3,247	4,463
<b>Total assets</b>	<b>7,203</b>	<b>9,331</b>	<b>10,835</b>	<b>12,343</b>	<b>14,168</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	3,122	4,669	5,258	6,052	7,062
Non interest bearing liabilities	231	367	384	403	422
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>3,353</b>	<b>5,036</b>	<b>5,643</b>	<b>6,455</b>	<b>7,484</b>
Share capital	533	569	569	569	569
Reserves	2,424	2,778	3,227	3,766	4,388
<b>Total equity</b>	<b>2,958</b>	<b>3,347</b>	<b>3,795</b>	<b>4,335</b>	<b>4,957</b>
Non-controlling interest	893	949	1,107	1,263	1,437
<b>Total liabilities &amp; equity</b>	<b>7,203</b>	<b>9,331</b>	<b>10,835</b>	<b>12,343</b>	<b>14,168</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	n/a	n/a	n/a	n/a	n/a
Average interest bearing liabilities	2,298	3,896	4,964	5,655	6,557
CET 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	n/a	n/a	n/a	n/a	n/a
<b>Per share (THB)</b>					
Book value per share	2.77	2.94	3.34	3.81	4.36
Tangible book value per share	2.77	2.94	3.34	3.81	4.36
<b>Growth</b>					
Gross customer loans	65.9	32.3	14.5	13.0	11.9
Average interest earning assets	-	-	-	-	-
Total asset (%)	41.5	29.5	16.1	13.9	14.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	41.1	35.9	35.0	35.1	35.0
Tangible equity/assets (%)	41.1	35.9	35.0	35.1	35.0
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Allowance for ECL/gross loans (%)	11.4	15.6	23.3	27.8	31.7
Allowance for ECL/NPL (%)	-	-	-	-	-
<b>Valuation</b>					
Recurring P/E (x) *	11.7	8.0	10.8	7.0	6.0
Recurring P/E @ target price (x) *	12.7	8.7	11.7	7.6	6.5
Reported P/E (x)	11.7	8.0	10.8	7.0	6.0
Dividend yield (%)	1.4	-	2.4	2.2	2.5
Price/book (x)	1.0	0.9	0.8	0.7	0.6
Price/tangible book (x)	1.0	0.9	0.8	0.7	0.6
Price/tangible book @ target price (x)	1.1	1.0	0.9	0.8	0.7

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

Sources: Chayo Group; FSSIA estimates



## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <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
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

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

Source: FSSIA's compilation

## 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
Chayo Group	CHAYO TB	THB 2.76	HOLD	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses. Upside risks include 1) better-than-expected cash collection performance and lower pressure from ECL, 2) stronger-than-expected loan growth, and 3) better cost control than expected.
Asia Sermkij Leasing PCL	ASK TB	THB 11.20	REDUCE	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.
Krungthai Card	KTC TB	THB 39.00	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.
Muangthai Capital	MTC TB	THB 40.25	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 5.20	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 114.50	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.
Ngern Tid Lor	TIDLOR TB	THB 15.60	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 32.50	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.
Ratchthani Leasing	THANI TB	THB 1.77	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 11.40	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 6.75	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.

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 31-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.