

SAKSAM LEASING

THAILAND / FINANCE & SECURITIES

SAK TB

BUY

FROM HOLD

TARGET PRICE	THB5.28
CLOSE	THB4.42
UP/DOWNSIDE	+19.5%
PRIOR TP	THB5.28
CHANGE IN TP	0.0%
TP vs CONSENSUS	-10.9%

Profit in line; manageable asset quality

- 2Q24 net profit was in line with expectations, with aggressive loan growth in the low-yield segment.
- Asset quality was slightly better than expected regarding the NPL ratio and credit cost, while the coverage ratio was sustained.
- Maintain forecast and 2024 TP; upgrade recommendation to BUY.

NII and fee income drove 2Q24 net profit growth

SAK posted an in-line 2Q24 net profit of THB200m, expanding by 2.5% q-q and 10.9% y-y. The PPOP rose to THB294m, up 3.9% q-q and 8.5% y-y, boosted by a surge in NII and non-NII. Loans increased as expected, with gross loans rising by THB950m, attributed to the rainy season. 40% of these belonged to land title loans, while most were vehicle title loans. This marks an increase of 7.7% q-q, 16.7% y-y, and 10.4% YTD, surpassing both its 2024 guidance of 15.0% y-y and our estimate of 13.1% y-y. The aggressive growth in low-yield land title loans aligned with its strategy to compensate for the more sluggish movement in vehicle title loans following the decline in the used vehicle collateral value. Hence, the interest spread declined by 13bp to 18.03% in 2Q24 due mainly to a loan yield reduction following loan concentration in the secured segment. However, the cost of funds was relatively stable q-q, thanks to the interest rate adjustment of 0.2-0.6% from FIs starting from June 2024 following its low-yield loan concentration.

Manageable asset quality despite a deteriorating trend

Despite a deteriorating trend, asset quality was better than expected with an NPL ratio of 2.50% and credit cost of 140bp. The coverage ratio was relatively stable at 100.6%. However, stage 2 loans accelerated to nearly 5.0% of total vs 4.6% in 1Q24 and 3.9% in 2Q23. The situation will make the credit cost burden consistently high in 2H24. This suggests that our 2024E credit cost of 130bp vs 137bp in 1H24 may be underestimated.

Maintain forecast; loan growth remains a key driver

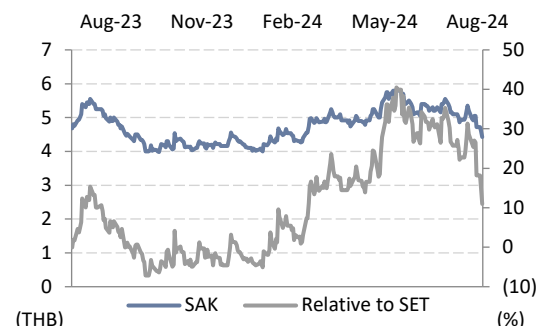
We maintain our 2024-26 forecast at 12.8% CAGR, driven by continued loan growth and a controllable cost-to-income ratio. The lower-than-expected loan growth, fee income, and cost-to-income ratio could offset the lower-than-expected loan spread and higher-than-expected credit costs in 2024. In addition, we expect an accelerated q-q increase in 3Q24 net profit due to more revenue recognition from aggressive loan growth and the stable cost of funds in 2Q24.

Upgrade to a BUY call with 2024 TP of THB5.28

We upgrade our recommendation to BUY from Hold owing to the current share price offering a broader potential upside of 19.5%, including an estimated dividend yield of 3.8% in 2024. Our 2024 GGM-based TP remains at THB5.28, implying a P/BV of 1.76x.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	936	1,042	1,190	1,348
Net profit	750	831	949	1,076
EPS (THB)	0.36	0.40	0.45	0.51
vs Consensus (%)	-	(1.7)	(8.7)	(12.5)
Recurring net profit	750	831	949	1,076
Core EPS (THB)	0.36	0.40	0.45	0.51
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	5.3	10.8	14.3	13.3
Core P/E (x)	12.4	11.2	9.8	8.6
Dividend yield (%)	3.4	3.8	4.3	4.9
Price/book (x)	1.6	1.5	1.4	1.2
ROE (%)	13.4	13.7	14.4	15.0
ROA (%)	6.0	6.0	6.0	5.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(20.4)	(11.6)	(11.6)
Relative to country (%)	(17.9)	(5.9)	5.0
Mkt cap (USD m)	265		
3m avg. daily turnover (USD m)	0.3		
Free float (%)	21		
Major shareholder	Boonsalee Family (67%)		
12m high/low (THB)	5.90/3.94		
Issued shares (m)	935		

Sources: Bloomberg consensus; FSSIA estimates



Usanee Liurut, CISA

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

Maeta Cherdasatirakul

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

Investment thesis

We upgrade our recommendation to BUY due to:

- SAK's policy to focus on land title loans to accelerate growth, even at the cost of a lower loan yield, has been effectively managed by reducing financial costs. As a result, the spread was not as negatively impacted as initially anticipated.
- Despite a deteriorating trend, we view its asset quality as manageable regarding the NPL ratio and credit cost, while sustaining the coverage ratio at 100.6%.
- Due to the significant decline in the share price, down over 17% in the past month, it offers a broader potential upside of 19.5%, including an estimated dividend yield of 3.8% in 2024. Our 2024 GGM-based TP remains at THB5.28, implying a P/BV of 1.76x.

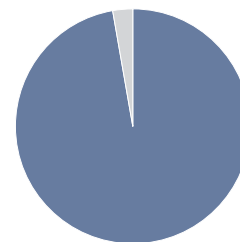
Company profile

Saksiam Leasing is the third largest non-bank personal and auto title loan service provider listed on the SET, with a focus on the north, northeast, central, and western regions of Thailand. The company has four product categories 1) auto title loans under BoT regulations; 2) personal loans under BoT regulations; 3) nano finance; and 4) other financial products, such as hire purchase.

www.saksiam.com

Principal activities (revenue, 1H24)

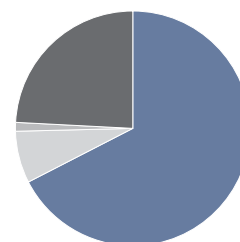
- Net interest income - 97.3 %
- Non-interest income - 2.7 %



Source: Saksiam Leasing

Major shareholders

- Boonsalee Family - 67.5 %
- Bualuang Asset Management - 7.2 %
- Mr. Noppachai Nopsuwanwong - 1.2 %
- Others - 24.2 %



Source: Saksiam Leasing

Catalysts

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

Risks to our call

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.

Event calendar

Date	Event
Nov 2024	3Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Net profit (THB m)	831	949	1,076
Net profit growth (%)	11.62	14.25	13.30
Spread (%)	18.64	18.87	18.87
Loan growth (%)	13.06	14.77	14.81
Net interest income growth (%)	12.45	14.40	14.15
Fee growth (%)	5.00	5.00	5.00
NPL ratio (%)	2.58	2.57	2.57
Credit costs (%)	1.30	1.30	1.30
Cost to income (%)	48.32	48.32	48.32

Source: FSSIA estimates

Earnings sensitivity

			2024E	
Loan growth	±2ppt	11.06	13.06	15.06
% change in net profit		(1.3)	-	1.3
Interest spread (%)	±10bp	18.54	18.64	18.74
% change in net profit		(0.6)	-	0.6
Credit cost (bp)	±10bp	1.20	1.30	1.40
% change in net profit		1.2	-	(1.2)

Source: FSSIA estimates

NII and fee income to drive 2Q24 net profit growth

SAK posted an in-line 2Q24 net profit of THB200m, expanding by 2.5% q-q and 10.9% y-y. The PPOP rose to THB294m, up 3.9% q-q and 8.5% y-y, boosted by a surge in NII and non-NII. Loans increased as expected, with gross loans rising by THB950m, attributed to the rainy season. 40% of these belonged to land title loans, while most were vehicle title loans. This marks an increase of 7.7% q-q, 16.7% y-y, and 10.4% YTD, surpassing both its 2024 guidance of 15.0% y-y and our estimate of 13.1% y-y. The aggressive growth in low-yield land title loans aligned with its strategy to compensate for the more sluggish movement in vehicle title loans following the decline in the used vehicle collateral value. Hence, the interest spread declined by 13bp to 18.03% in 2Q24 due mainly to a loan yield reduction following loan concentration in the secured segment, and the revenue contribution was not yet fully realized in 2Q24. However, the cost of funds was relatively stable q-q, thanks to the interest rate adjustment of 0.2-0.6% from FIs starting from June 2024 following its low-yield loan concentration. The cost-to-income ratio rose to 48.2% vs 48.1% in 1Q24, pushing the 1H24 figure to 48.2%; still aligned with our full-year forecast of 48.3%.

Manageable asset quality despite a deteriorating trend

Despite a deteriorating trend, asset quality was slightly better than expected with an NPL ratio of 2.50% and credit cost of 140bp. The coverage ratio was relatively stable at 100.6%. However, stage 2 loans accelerated to nearly 5.0% of total vs 4.6% in 1Q24 and 3.9% in 2Q23. The situation will make the credit cost burden consistently high in 2H24. This suggests that our projected 130bp credit cost for 2024 vs 137bp in 1H24 may be underestimated.

Maintain forecast; loan growth remains a key driver

We maintain our 2024-26 forecast at 12.8% CAGR, driven by continued loan growth and a controllable cost-to-income ratio. The lower-than-expected loan growth, fee income, and cost-to-income ratio could offset the lower-than-expected loan spread and higher-than-expected credit costs in 2024. In addition, we expect an accelerated q-q increase in 3Q24 net profit due to more revenue recognition from aggressive loan growth and the stable cost of funds in 2Q24.

Exhibit 1: SAK – 2Q24 operating summary

	2Q23	3Q23	4Q23	1Q24	2Q24	----- Change -----		1H24	Change	% of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	2024E	(THB m)	(y-y%)
Interest income	651	691	705	706	738	4.5	13.3	1,444	13.1	48	3,020	13.0
Interest expense	(74)	(86)	(90)	(88)	(95)	8.0	28.0	(183)	31.4	50	(369)	16.8
Net interest income	577	605	615	618	643	4.0	11.4	1,261	10.9	48	2,651	12.5
Fee and service income	8	6	6	7	9	35.2	19.6	16	21.7	59	27	5.0
Other income	17	13	5	9	9	(0.0)	(44.6)	18	(19.8)	42	44	7.0
Total income	601	625	626	634	661	4.2	10.0	1,296	10.4	48	2,722	12.3
Operating expenses	(325)	(341)	(333)	(347)	(365)	5.0	12.1	(712)	10.6	48	(1,493)	13.3
Other expenses	(5)	(5)	(6)	(4)	(3)	(35.7)	(48.2)	(7)	(13.9)	34	(19)	4.9
PPOP before taxes	271	279	287	283	294	3.9	8.5	577	10.5	48	1,209	11.2
Expected credit loss	(45)	(45)	(28)	(40)	(49)	22.6	8.1	(89)	14.7	53	(167)	10.9
Operating profit	226	233	259	243	245	0.8	8.6	488	9.8	47	1,042	11.2
Income tax	(45)	(47)	(51)	(49)	(50)	2.1	11.4	(99)	10.8	47	(209)	11.9
NCI	1	(0)	(1)	(1)	(1)	(10.4)	N/A	(1)	N/A	N/A	2	N/A
Net profit	180	187	208	195	200	2.5	10.9	395	11.1	47	831	10.8
EPS (THB)	0.09	0.09	0.10	0.09	0.10	2.5	10.9	0.19	11.1	47	0.40	10.8
Loans	11,415	11,867	12,066	12,365	13,317	7.7	16.7	13,317	16.7		13,642	13.1
Interest bearing debt	6,798	7,239	7,051	7,118	8,207	15.3	20.7	8,207	20.7		8,162	15.8
Key ratios	2Q23	3Q23	4Q23	1Q24	2Q24			1H24			2024E	
	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
Yield on loan	23.38	23.76	23.58	23.12	22.98			23.35			23.49	
Cost of funds	4.59	4.92	5.05	4.96	4.95			4.87			4.85	
Spread	18.79	18.84	18.52	18.16	18.03			18.48			18.64	
Cost to Income ratio	48.18	48.01	46.53	48.09	48.23			48.16			48.32	
Credit cost (bps)	163	156	93	131	140			137			130	
NPL / Loan	2.51	2.55	2.57	2.56	2.50			2.50			2.58	
LLR / Loan	2.58	2.61	2.57	2.57	2.51			2.51			2.60	
Coverage ratio (LLR/NPL)	102.6	102.6	100.0	100.5	100.6			100.6			100.7	
D/E (x)	1.3	1.3	1.3	1.2	1.4			1.4			1.3	
IDBE (x)	1.3	1.3	1.2	1.2	1.4			1.4			1.3	
S/T debt/total debt (x)	0.4	0.4	0.3	0.4	0.3			0.3			0.2	
Loan growth q-q	5.1	4.0	1.7	2.5	7.7							
Loan growth y-y	16.5	15.3	13.8	13.9	16.7			16.7			13.1	
Loan growth YTD	7.6	11.5	13.2	2.5	10.4			10.4				

Sources: SAK; FSSIA estimates

Exhibit 2: SAK – Staged loans and ECL

	2022	2023	1Q24	2Q24	2022	2023	1Q24	2Q24
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)
Staged loans								
Stage 1	10,213	11,548	11,782	12,643	94.0	93.3	92.9	92.6
Stage 2	377	522	580	677	3.5	4.2	4.6	5.0
Stage 3	276	310	317	333	2.5	2.5	2.5	2.4
Total	10,867	12,380	12,679	13,653	100.0	100.0	100.0	100.0
Allowance for ECL								
Stage 1	79	81	81	83	0.8	0.7	0.7	0.7
Stage 2	81	87	87	91	21.5	16.7	15.0	13.4
Stage 3	131	142	142	144	47.2	45.8	44.8	43.3
Total	290	310	310	318	2.7	2.5	2.4	2.3
LLR/ Loans								
Stage 1	0.8	0.7	0.7	0.7				
Stage 2	21.5	16.7	15.0	13.4				
Stage 3	47.2	45.8	44.8	43.3				
Total	2.7	2.5	2.4	2.3				
	(%)	(%)	(%)	(%)				
NPL / TL	2.5	2.5	2.5	2.4				
NPL vs Stage 2 loans / TL	6.0	6.7	7.1	7.4				
LLR / NPL	105	100	98	96				
LLR / (NPL vs Stage 2)	44	37	35	31				

Sources: SAK; FSSIA's compilation

Exhibit 3: SAK – GGM-based 2024 TP

Gordon Growth Model	
Sustainable ROE	14.4%
g	8.0%
ROE-g	6.4%
Beta	1.44
Risk free rate	3.0%
Risk premium	6.0%
COE	11.6%
COE-g	3.6%
ROE-g/COE-g (x)	1.76

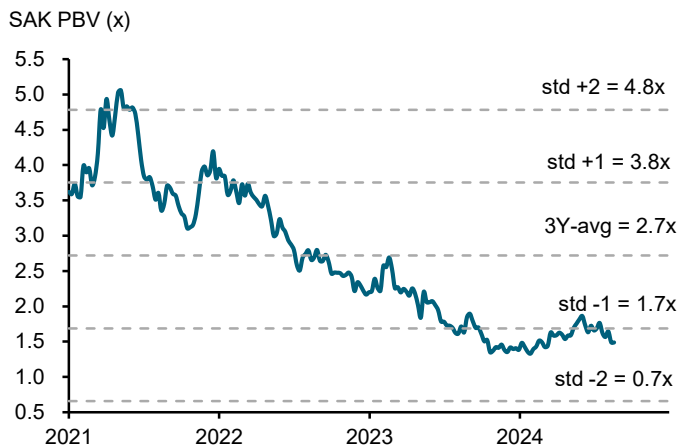
Source: FSSIA estimates

Exhibit 4: Share price performance of non-banks under coverage, as of 14 August 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	(24.0)	(36.7)	(39.0)	(34.3)	(38.7)
MTC TB	(2.4)	(12.1)	(10.6)	6.0	(11.1)
SAWAD TB	(25.7)	(27.6)	(21.8)	(34.2)	(23.3)
AEONTS TB	(5.6)	(30.2)	(27.2)	(29.9)	(31.3)
KTC TB	0.6	(9.8)	(9.3)	(15.7)	(10.3)
SAK TB	(15.2)	(8.4)	(2.1)	(6.5)	10.1
ASK TB	(28.3)	(35.0)	(48.4)	(58.9)	(51.0)
THANI TB	(20.9)	(26.3)	(24.0)	(38.7)	(26.4)
JMT TB	(3.8)	(27.4)	(46.6)	(70.8)	(50.2)
BAM TB	(11.6)	(25.3)	(20.2)	(37.5)	(20.2)
CHAYO TB	(23.1)	(32.3)	(51.9)	(65.6)	(52.3)
SETFIN	(11.4)	(23.1)	(26.2)	(33.8)	(27.7)
SET	(3.0)	(6.0)	(7.2)	(15.3)	(9.1)

Source: Bloomberg

Exhibit 5: SAK – one-year prospective PBV band



Sources: Bloomberg; FSSIA estimates

Exhibit 6: SAK – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Saksiam Leasing

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	2,310	2,673	3,020	3,456	3,960
Interest expense	(173)	(316)	(369)	(423)	(498)
Net interest income	2,137	2,357	2,651	3,033	3,462
Net fees & commission	11	26	27	28	30
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	16	41	44	46	48
Non interest income	26	67	71	74	77
Total income	2,163	2,424	2,722	3,107	3,539
Staff costs	-	-	-	-	-
Other operating costs	(1,144)	(1,337)	(1,513)	(1,726)	(1,972)
Operating costs	(1,144)	(1,337)	(1,513)	(1,726)	(1,972)
Pre provision operating profit	1,019	1,087	1,209	1,381	1,567
Expected credit loss	(131)	(151)	(167)	(190)	(219)
Other provisions	-	-	-	-	-
Operating profit	888	936	1,042	1,190	1,348
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	-	-	-	-	-
Profit before tax	888	936	1,042	1,190	1,348
Tax	(178)	(187)	(209)	(239)	(271)
Profit after tax	710	749	832	951	1,077
Non-controlling interest	2	1	(2)	(2)	(2)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	712	750	831	949	1,076
Non recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	712	750	831	949	1,076
Per share (THB)					
Recurring EPS *	0.34	0.36	0.40	0.45	0.51
Reported EPS	0.34	0.36	0.40	0.45	0.51
DPS	0.14	0.15	0.17	0.19	0.22
Growth					
Net interest income (%)	23.5	10.3	12.5	14.4	14.1
Non interest income (%)	98.9	154.6	6.2	4.5	4.5
Pre provision operating profit (%)	24.0	6.7	11.2	14.2	13.5
Operating profit (%)	17.1	5.5	11.2	14.2	13.3
Reported net profit (%)	17.2	5.3	10.8	14.3	13.3
Recurring EPS (%)	17.2	5.3	10.8	14.3	13.3
Reported EPS (%)	17.2	5.3	10.8	14.3	13.3
Income Breakdown					
Net interest income (%)	98.8	97.3	97.4	97.6	97.8
Net fees & commission (%)	0.5	1.1	1.0	0.9	0.8
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.7	1.7	1.6	1.5	1.3
Operating performance					
Gross interest yield (%)	23.29	23.06	23.04	23.17	23.15
Cost of funds (%)	3.35	4.85	4.85	4.73	4.68
Net interest spread (%)	19.94	18.21	18.19	18.44	18.47
Net interest margin (%)	21.5	20.3	20.2	20.3	20.2
Cost/income(%)	52.9	55.2	55.6	55.6	55.7
Cost/assets(%)	10.8	10.8	10.8	10.9	10.9
Effective tax rate (%)	20.0	20.0	20.1	20.1	20.1
Dividend payout on recurring profit (%)	40.3	41.9	41.9	41.9	41.9
ROE (%)	13.9	13.4	13.7	14.4	15.0
ROE - COE (%)	3.1	2.6	2.9	3.6	4.2
ROA (%)	6.7	6.0	6.0	6.0	5.9
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

Financial Statements

Saksiam Leasing

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	10,600	12,066	13,642	15,656	17,975
Allowance for expected credit loss	(290)	(310)	(354)	(406)	(471)
interest in suspense	267	314	354	404	461
Net customer loans	10,576	12,070	13,642	15,654	17,965
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	268	270	234	298	289
Other interesting assets	-	-	-	-	-
Tangible fixed assets	177	193	220	247	278
Associates	0	32	35	38	42
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	601	619	663	719	780
Total assets	11,624	13,184	14,794	16,956	19,354
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	5,963	7,051	8,162	9,756	11,512
Non interest bearing liabilities	285	301	316	332	348
Hybrid Capital	-	-	-	-	-
Total liabilities	6,247	7,352	8,478	10,088	11,860
Share capital	2,096	2,096	2,096	2,096	2,096
Reserves	3,267	3,724	4,206	4,758	5,382
Total equity	5,363	5,820	6,302	6,854	7,478
Non-controlling interest	13	12	13	14	15
Total liabilities & equity	11,624	13,184	14,794	16,956	19,354
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	9,919	11,593	13,108	14,914	17,103
Average interest bearing liabilities	5,159	6,507	7,607	8,959	10,634
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)	276	310	352	403	463
Per share (THB)					
Book value per share	2.56	2.78	3.01	3.27	3.57
Tangible book value per share	2.56	2.78	3.01	3.27	3.57
Growth					
Gross customer loans	22.0	13.8	13.1	14.8	14.8
Average interest earning assets	14.6	16.9	13.1	13.8	14.7
Total asset (%)	22.0	13.4	12.2	14.6	14.1
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	46.1	44.1	42.6	40.4	38.6
Tangible equity/assets (%)	46.1	44.1	42.6	40.4	38.6
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	44.9	12.1	13.7	14.3	15.0
NPL/gross loans (%)	2.6	2.6	2.6	2.6	2.6
Allowance for ECL/gross loans (%)	2.7	2.6	2.6	2.6	2.6
Allowance for ECL/NPL (%)	105.0	100.0	100.7	100.9	101.9
Valuation					
Recurring P/E (x) *	13.0	12.4	11.2	9.8	8.6
Recurring P/E @ target price (x) *	15.5	14.8	13.3	11.7	10.3
Reported P/E (x)	13.0	12.4	11.2	9.8	8.6
Dividend yield (%)	3.1	3.4	3.8	4.3	4.9
Price/book (x)	1.7	1.6	1.5	1.4	1.2
Price/tangible book (x)	1.7	1.6	1.5	1.4	1.2
Price/tangible book @ target price (x)	2.1	1.9	1.8	1.6	1.5

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Saksiam Leasing; FSSIA estimates

Saksiam Leasing PCL (SAK TB)

FSSIA ESG rating

★ ★ ★

Exhibit 7: FSSIA ESG score implication

45.28 /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 8: 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 9: ESG score by Bloomberg

FY ending Dec 31	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	1.85	2.01
BESG environmental pillar score	—	0.00	0.00
BESG social pillar score	—	0.83	0.84
BESG governance pillar score	—	5.12	5.83
ESG disclosure score	26.25	36.23	36.23
Environmental disclosure score	0.42	15.95	15.95
Social disclosure score	12.70	20.86	20.86
Governance disclosure score	65.50	71.76	71.76
Environmental			
Emissions reduction initiatives	No	Yes	Yes
Climate change policy	No	No	No
Climate change opportunities discussed	No	No	No
Risks of climate change discussed	No	Yes	Yes
GHG scope 1	—	—	—
GHG scope 2 location-based	—	—	—
GHG Scope 3	—	—	—
Carbon per unit of production	—	—	—
Biodiversity policy	No	No	No
Energy efficiency policy	Yes	Yes	Yes
Total energy consumption	—	—	—
Renewable energy use	—	—	—
Electricity used	—	—	—
Fuel used - natural gas	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 10: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No
Waste reduction policy	No	Yes	Yes
Hazardous waste	—	—	—
Total waste	—	—	—
Waste recycled	—	—	—
Waste sent to landfills	—	—	—
Environmental supply chain management	No	Yes	Yes
Water policy	No	No	No
Water consumption	—	—	—
Social			
Human rights policy	Yes	Yes	Yes
Policy against child labor	No	Yes	Yes
Quality assurance and recall policy	No	No	No
Consumer data protection policy	No	No	No
Equal opportunity policy	No	Yes	Yes
Gender pay gap breakout	No	No	No
Pct women in workforce	—	23	26
Pct disabled in workforce	—	—	—
Business ethics policy	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—
Total recordable incident rate - employees	1	1	1
Training policy	Yes	Yes	Yes
Fair remuneration policy	Yes	Yes	Yes
Number of employees – CSR	1,596	1,930	2,307
Employee turnover pct	—	—	—
Total hours spent by firm - employee training	—	15,035	67,643
Social supply chain management	No	Yes	Yes
Governance			
Board size	11	11	11
No. of independent directors (ID)	4	4	4
No. of women on board	6	6	6
No. of non-executive directors on board	6	7	7
Company conducts board evaluations	No	No	No
No. of board meetings for the year	8	8	8
Board meeting attendance pct	99	100	100
Board duration (years)	—	—	—
Director share ownership guidelines	No	No	No
Age of the youngest director	—	—	—
Age of the oldest director	—	—	—
No. of executives / company managers	13	13	12
No. of female executives	4	2	2
Executive share ownership guidelines	No	No	No
Size of audit committee	3	3	3
No. of ID on audit committee	3	3	3
Audit committee meetings	5	6	5
Audit meeting attendance %	100	100	100
Size of compensation committee	3	3	3
No. of ID on compensation committee	2	2	2
No. of compensation committee meetings	2	4	4
Compensation meeting attendance %	100	100	100
Size of nomination committee	3	3	3
No. of nomination committee meetings	2	4	4
Nomination meeting attendance %	100	100	100
Sustainability governance			
Verification type	No	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%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks	
AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities																			
AA	7.143-8.570																					
A	5.714-7.142																					
BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers																			
BB	2.857-4.285																					
B	1.429-2.856																					
CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																			
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

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

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

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

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

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

Company	Ticker	Price	Rating	Valuation & Risks
Saksiam Leasing	SAK TB	THB 4.42	BUY	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.
Srisawad Corp	SAWAD TB	THB 28.00	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.
JMT Network Services	JMT TB	THB 13.20	HOLD	Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks include 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense.
Ngern Tid Lor	TIDLOR TB	THB 13.50	HOLD	Downside risks to our GGM-based TP include 1) further weakening asset quality could potentially hit both loan yield and credit cost; and 2) tighter supervision from related regulators. Upside risks are 1) lower-than-expected credit costs from better asset quality management; and 2) higher-than-expected loan and insurance premium growth from the positive effects of a more favorable economic situation.
Ratchthani Leasing	THANI TB	THB 1.75	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) a downtrend in the policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
Muangthai Capital	MTC TB	THB 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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 110.50	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 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.
Asia Sermkij Leasing PCL	ASK TB	THB 10.10	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.
Bangkok Commercial Asset Mngt.	BAM TB	THB 6.50	BUY	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.
Chayo Group	CHAYO TB	THB 2.70	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 14-Aug-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.