

# Thailand Auto Title Sector

## Title loans remain our preference in 2H24

- We expect a significant acceleration in 2H24 earnings for the four companies under our coverage, particularly for MTC, SAK, and SAWAD.
- We view their asset quality as manageable in 2H24 with the expectation of decreasing credit costs for MTC and SAWAD.
- MTC remains our top BUY call; SAK also offers an attractive potential upside.

### 2H24 profit to accelerate into the peak season, led by MTC, SAWAD, and SAK

Based on the aggregate net profit for 1H24, which represents 47% of our full-year forecast, the trend indicates a significant acceleration in 2H24 earnings for the four companies under our coverage, particularly for MTC, SAK, and SAWAD. The positive factors include 1) entering the seasonal peak for loans in 2H24, which we estimate will result in loan growth of 8.3% h-h vs 5.7% h-h in 1H24; and 2) a higher loan spread forecast of 14.80% vs 14.42% in 1H24, particularly for SAWAD and SAK, due to an expected rise in loan yields, which aligns with the loan growth, thereby mitigating the impact of rising interest expenses. However, there are still pressures from 1) increased losses from repossessed vehicle sales, particularly for TIDLOR; and 2) rising credit costs in 2H24, particularly for TIDLOR, for which we expect aggregate 2024 credit costs to rise to 2.95% vs 2.86% in 1H24.

### Manageable asset quality in 2H24E; caution over accelerated Stage 2 loans

Asset quality remained relatively stable in 2Q24, and the trend should continue into 2H24. We believe that the credit cost peak has already passed in 4Q23. Although the NPL ratios are still rising, the rate of increase has slowed, thanks to proactive NPL management aimed at strengthening overall balance sheets. We expect MTC and SAWAD's credit costs to decrease in 2H24, while TIDLOR's are likely to increase. However, there are concerns about the rising proportion of Stage 2 loans, particularly for SAWAD (11.1%) and TIDLOR (17.3%), which remain key areas to monitor.

### 2024-26E profit grows 16.7% CAGR, with MTC continuing to be the best performer

We anticipate robust average net profit growth of 16.7% CAGR for 2024-26, led by MTC, with expected net profit growth of 23.1% CAGR over the same period. This growth would be driven not only by continued loan expansion but also by a gradual reduction in credit costs, from a peak of 3.71% in 2023 to 2.67% in 2026E, mainly due to declining losses from the sale of repossessed vehicles. Following MTC, we expect TIDLOR, SAK, and SAWAD to achieve net profit growth of 16.3%, 12.8%, and 10.7% CAGR, respectively.

### MTC remains our top BUY call; SAK also offers an attractive potential upside

In addition to the fundamental positives, we see short-term benefits from the government's economic stimulus measures, which should benefit overall debt collection in 4Q24. We select MTC (TP THB50) as our top pick, given its standout net profit growth potential and the most positive asset quality trends compared to its peers. Additionally, we recommend buying SAK (TP THB5.28) due to its strong projected net profit growth, asset quality improvement, and more attractive potential upside.



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## 2H24 profit to accelerate into the peak season

Based on the aggregate net profit for 1H24, which represents 47% of our full-year forecast, the trend indicates a significant acceleration in 2H24 earnings for the four companies under our coverage, particularly for MTC, SAK, and SAWAD. The positive factors include 1) entering the seasonal peak for loans in 2H24, which we estimate will result in loan growth of 8.3% h-h vs 5.7% h-h in 1H24; and 2) a higher loan spread forecast of 14.80% vs 14.42% in 1H24, particularly for SAWAD and SAK, due to an expected rise in loan yields, which aligns with the loan growth, thereby mitigating the impact of rising interest expenses from issuing new high-cost bonds to redeem existing low-cost bonds that are maturing. However, there are still pressures from 1) increased operating expenses in 2H24, mainly due to higher losses from repossessed vehicle sales, particularly for TIDLOR, which pushes the 2024E aggregate cost-to-income ratio up to 51.6% vs 51.3% in 1H24; and 2) rising credit costs in 2H24, particularly for TIDLOR, for which we expect aggregate 2024 credit costs to rise to 2.95% vs 2.86% in 1H24.

### Exhibit 1: Aggregate sectoral net profit

	2Q24	1Q24	Change	2Q23	Change	1H24	1H23	Change	2024E	2023	Change
	(THB m)	(THB m)	(q-q %)	(THB m)	(y-y %)	(THB m)	(THB m)	(y-y %)	(THB m)	(THB m)	(y-y %)
MTC	1,444	1,389	3.9	1,200	20.3	2,834	2,270	24.8	6,292	4,906	28.2
SAWAD	1,265	1,261	0.3	1,146	10.4	2,526	2,347	7.6	5,221	5,001	4.4
TIDLOR	1,091	1,104	(1.1)	927	17.7	2,195	1,882	16.6	4,393	3,790	15.9
SAK	200	195	2.2	180	10.9	395	355	11.3	831	750	10.8
<b>Total</b>	<b>4,000</b>	<b>3,950</b>	<b>1.3</b>	<b>3,454</b>	<b>15.8</b>	<b>7,950</b>	<b>6,854</b>	<b>16.0</b>	<b>16,738</b>	<b>14,448</b>	<b>15.9</b>

Sources: Company data; FSSIA estimates

The four companies under our coverage had an aggregate 2Q24 net profit of THB4.0b, increasing by 1.3% q-q and 15.8% y-y. Excluding ECL expenses, PPOP also rose by 3.4% q-q and 11.6% y-y, attributed to higher net interest income (aligned with loan growth of 3.1% q-q and 16.2% y-y) and lower operating expenses (lower loss on sales of repossessed vehicles). The interest spread plunged for all companies (except for SAWAD and TIDLOR) following their higher cost of funds (except for SAK and SAWAD, which posted a slight decline). The aggregate cost-to-income ratio declined to 50.8%, comprising MTC (post-seasonality) and SAWAD (lower loss on sales of repossessed vehicles), except for SAK, which reported a slight decline.

Overall, 1H24 net profit increased to THB8.0b, marking 16.0% y-y growth, driven primarily by MTC, TIDLOR, and SAK. SAWAD, on the other hand, had the weakest net profit performance during this period.

## Exhibit 2: Aggregate vehicle title sector – 2Q24 operating summary

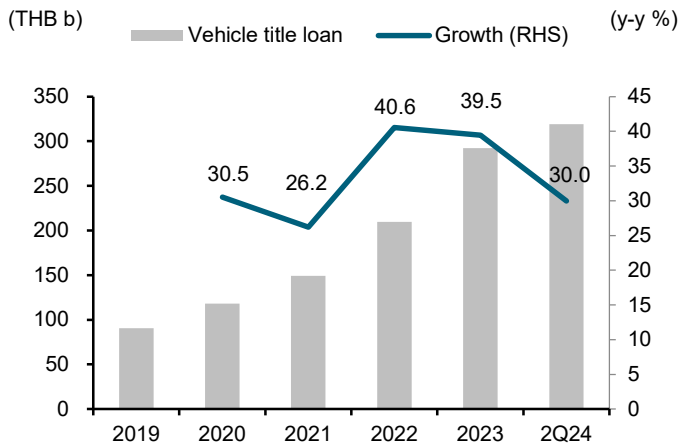
	2Q23	3Q23	4Q23	1Q24	2Q24	----- Change -----		1H24	Change	% of	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	24E	(THB m)	(y-y%)
Interest income	13,592	15,402	15,770	16,028	16,546	3.2	21.7	32,574	23.9	47	69,262	20.5
Interest expense	(1,892)	(2,264)	(2,472)	(2,564)	(2,706)	5.5	43.0	(5,270)	48.7	46	(11,348)	37.0
Net interest income	11,701	13,137	13,298	13,464	13,840	2.8	18.3	27,304	20.0	47	57,914	17.8
Fee and other income	2,053	1,695	2,077	2,046	1,834	(10.4)	(10.7)	3,880	(1.6)	46	8,360	8.3
Total income	13,754	14,832	15,375	15,510	15,674	1.1	14.0	31,185	16.8	47	66,275	16.5
Operating expenses	(6,840)	(7,593)	(7,718)	(8,043)	(7,956)	(1.1)	16.3	(15,999)	19.3	47	(34,169)	19.0
Pre-provision operating profit	6,914	7,239	7,656	7,467	7,718	3.4	11.6	15,186	14.4	47	32,106	13.9
Expected credit loss	(2,307)	(2,008)	(2,690)	(2,193)	(2,321)	5.8	0.6	(4,514)	9.2	45	(9,936)	12.5
Profit after ECL	4,607	5,232	4,966	5,274	5,397	2.3	17.2	10,671	16.7	48	22,170	14.6
Other expenses	(183)	(334)	(278)	(276)	(316)	14.5	72.4	(592)	100.8	66	(900)	(0.7)
Operating profit	4,424	4,898	4,688	4,998	5,082	1.7	14.9	10,080	13.9	47	21,270	15.4
Income tax	(893)	(995)	(943)	(1,033)	(1,027)	(0.6)	15.0	(2,059)	14.6	47	(4,358)	16.7
NCI	(77)	(37)	(19)	(16)	(55)	237.3	(28.5)	(71)	(63.8)	41	(174)	(31.2)
<b>Net profit</b>	<b>3,454</b>	<b>3,866</b>	<b>3,727</b>	<b>3,949</b>	<b>4,000</b>	<b>1.3</b>	<b>15.8</b>	<b>7,949</b>	<b>16.0</b>	<b>47</b>	<b>16,738</b>	<b>15.9</b>
NPL	8,403	8,632	9,180	9,583	10,042	4.8	19.5	10,042	19.5	92	10,917	18.9
Loans	315,537	331,883	346,626	355,424	366,506	3.1	16.2	366,506	16.2	94	391,623	14.0
Interest bearing debt	243,807	260,918	266,785	272,873	281,183	3.0	15.3	281,183	15.3	95	294,561	10.4
<b>Key ratios</b>	<b>2Q23</b>	<b>3Q23</b>	<b>4Q23</b>	<b>1Q24</b>	<b>2Q24</b>			<b>1H24</b>			<b>2024E</b>	
	(%)	(%)	(%)	(%)	(%)			(%)			(THB m)	
Yield on loan	18.22	19.03	18.59	18.26	18.34			18.27			18.85	
Cost of funds	3.34	3.59	3.75	3.80	3.91			3.85			4.04	
Spread	14.88	15.44	14.85	14.46	14.43			14.42			14.80	
Cost to income	49.73	51.19	50.20	51.85	50.76			51.30			51.56	
Credit cost	3.09	2.48	3.17	2.50	2.57			2.53			2.70	
Credit cost incl. gain (loss) from car repossesses	3.34	2.89	3.50	2.81	2.92			2.86			2.95	
NPL / Loan	2.66	2.60	2.65	2.70	2.74			2.74			2.79	
LLR / Loan	3.09	3.05	3.19	3.30	3.35			3.35			3.37	
Coverage ratio	116.00	117.26	120.54	122.46	122.11			122.11			120.84	
D/E (x)	1.67	1.70	1.70	1.64	1.64			1.64			1.60	
IBD/E (x)	1.92	1.96	1.90	1.87	1.88			1.88			1.82	
IBD/Total debt (%)	114.96	115.40	111.80	113.54	114.47			114.47			113.97	
S/T debt/IBD (%)	15.10	16.69	18.84	19.35	19.55			19.55			20.69	
Loan growth q-q	12.20	5.18	4.44	2.54	3.12							
Loan growth y-y	39.54	35.00	30.94	26.38	16.15			16.15			14.03	
Loan growth YTD	19.19	25.37	30.94	2.54	5.74			5.74				

Sources: Company data; FSSIA estimates

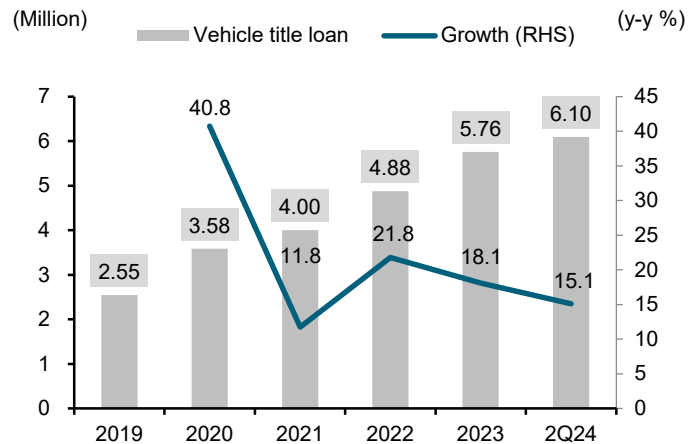
## Loans are poised to soar in 2H24, led by SAWAD, MTC, and TIDLOR

According to Bank of Thailand (BoT) data, auto title loans continued to grow in 2Q24 by 2.6% q-q and 25.3% y-y, with most of the growth (87%) driven by non-banks. The number of customer accounts increased to 6.10m, with outstanding loans averaging THB52,352 per account – a trend that has continued to rise since the post-Covid period. The growth in the number of accounts was less than that of outstanding loans, indicating that lenders have been providing more credit – primarily top-up loans – to existing customers rather than attracting new ones. Additionally, most operators have adopted stricter credit measures by reducing the average ticket size by 10-15% following a lower LTV to minimize risk and increase the rejection rate.

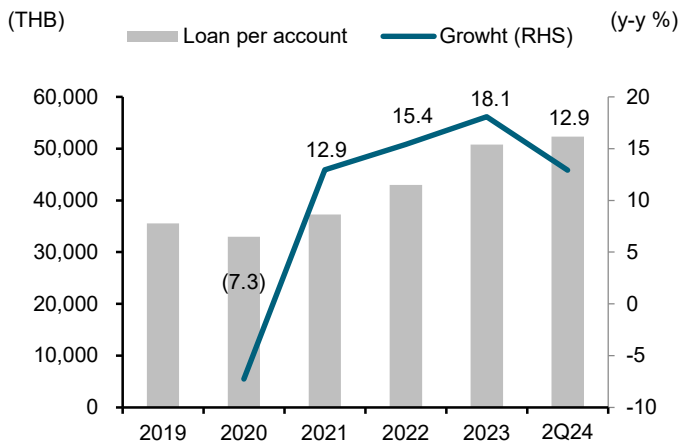
The four companies under our coverage showed aggregate 1H24 loan growth of 16.2% y-y and 5.7% YTD. The growth is still in line with our 2024 estimate of 14.0% y-y, as the high season is in 2H24, led by vehicle and land title loans. However, the continuous decline in collateral value, in line with the market price of used cars, should obstruct loan growth in 2H24 and 2025-26. As a result, some operators, MTC (14%) and SAK (5%), have begun to shift their focus to land title loans, which have a higher ticket size than auto title loans, to push their growth. However, this situation will further intensify the pressure on loan yields.

**Exhibit 3: Vehicle title loans and growth, 2019-2Q24**

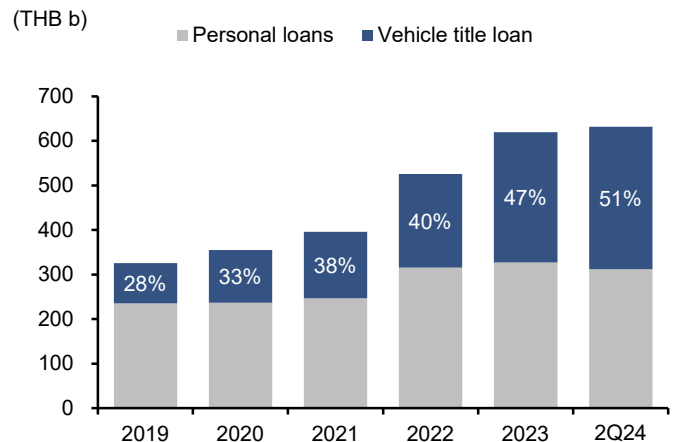
Sources: BoT; FSSIA's compilation

**Exhibit 4: Vehicle title loans – accounts and growth, 2019-2Q24**

Sources: BoT; FSSIA's compilation

**Exhibit 5: Vehicle title loans per account and growth, 2019-2Q24**

Sources: BoT; FSSIA's compilation

**Exhibit 6: Vehicle title loans and personal loan proportion, 2019-2Q24**

Sources: BoT; FSSIA's compilation

We anticipate that SAWAD will display the most robust loan growth in 2H24, effectively addressing credit quality issues by aggressively writing off bad debts in 1H24. This strategic move positions the company to capitalize on renewed growth momentum as it enters 2H24. Meanwhile, we expect MTC to maintain its positive loan growth trajectory in 2H24, reflecting sustained market demand and operational efficiency.

For SAK, while the company experienced substantial growth in 2Q24 during its peak season, we foresee a natural deceleration in loan growth as it stabilizes from its recent expansion. Conversely, TIDLOR, though poised for accelerated loan growth in 2H24, should be closely monitored. The challenge is whether it can meet our revised assumptions (12.5% y-y) and its 2024 guidance (low end of 10-20% y-y), given its prudent focus on maintaining credit quality and strengthening its balance sheet.

## Manageable 2H24E asset quality; accelerated Stage 2 loans

Asset quality remained relatively stable in 2Q24, and the trend should continue into 2H24. We believe that the credit cost peak has already passed in 4Q23. Although the NPL ratios are still rising, the rate of increase has slowed, thanks to proactive NPL management aimed at strengthening overall balance sheets. We expect MTC, SAWAD, and SAK's credit costs to decrease in 2H24, while TIDLOR's are likely to increase. However, there are concerns about the rising proportion of Stage 2 loans, particularly for SAWAD (11.1%) and TIDLOR (17.3%), which remain key areas to monitor. Specifically, SAWAD faces downside risks to its credit costs, which may decrease less than anticipated due to this issue.

### Exhibit 7: MTC – Staged loans and ECL, as of 23 August 2024

MTC	2022	2023	1Q24	2Q24	2022	2023	1Q24	2Q24
	(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	105,097	124,874	129,909	136,981	87.1	87.1	88.0	88.6
Stage 2	12,009	13,983	13,211	13,242	10.0	9.8	9.0	8.6
Stage 3	3,507	4,461	4,467	4,449	2.9	3.1	3.0	2.9
Total	120,613	143,318	147,587	154,672	100.0	100.0	100.0	100.0
Expected credit loss (ECL)	ECL % of stage loans							
Stage 1	767	1,225	1,490	1,613	0.7	1.0	1.1	1.2
Stage 2	682	1,115	1,078	1,077	5.7	8.0	8.2	8.1
Stage 3	2,237	2,829	2,831	2,871	63.8	63.4	63.4	64.5
Total	3,686	5,169	5,399	5,562	3.1	3.6	3.7	3.6
LLR / Loans	(%)	(%)	(%)	(%)				
Stage 1	0.7	1.0	1.1	1.2				
Stage 2	5.7	8.0	8.2	8.1				
Stage 3	63.8	63.4	63.4	64.5				
Total	3.1	3.6	3.7	3.6				
	(%)	(%)	(%)	(%)				
NPL / TL	2.9	3.1	3.0	2.9				
NPL vs Stage 2 loans / TL	12.9	12.9	12.0	11.4				
LLR / NPL	105.1	115.9	120.9	125.0				
LLR / (NPL vs Stage 2 loans)	23.8	28.0	30.5	31.4				

Sources: MTC; FSSIA's compilation

**Exhibit 8: SAWAD – Staged loans and ECL, as of 23 August 2024**

	2022	2023	1Q24	2Q24	2022	2023	1Q24	2Q24
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)
<b>Staged loans</b>								
Stage 1	50,271	86,099	86,065	84,620	91.0	88.7	87.2	85.5
Stage 2	3,614	8,012	9,410	10,949	6.5	8.3	9.5	11.1
Stage 3	1,385	2,998	3,192	3,360	2.5	3.1	3.2	3.4
Total	55,270	97,109	98,666	98,929	100.0	100.0	100.0	100.0
<b>Allowance for ECL</b>								
Stage 1	171	324	338	378	0.3	0.4	0.4	0.4
Stage 2	238	566	662	771	6.6	7.1	7.0	7.0
Stage 3	247	716	774	861	17.9	23.9	24.2	25.6
Total	656	1,605	1,774	2,010	1.2	1.7	1.8	2.0
<b>LLR/ Loans</b>								
	(%)	(%)	(%)	(%)				
Stage 1	0.3	0.4	0.4	0.4				
Stage 2	6.6	7.1	7.0	7.0				
Stage 3	17.9	23.9	24.2	25.6				
Total	1.2	1.7	1.8	2.0				
	(%)	(%)	(%)	(%)				
NPL / TL	2.5	3.1	3.2	3.4				
NPL vs Stage 2 loans / TL	9.0	11.3	12.8	14.5				
LLR / NPL	47	54	56	60				
LLR / (NPL vs Stage 2)	13	15	14	14				

Sources: SAWAD; FSSIA's compilation

**Exhibit 9: TIDLOR – Staged loans and ECL, as of 23 August 2024**

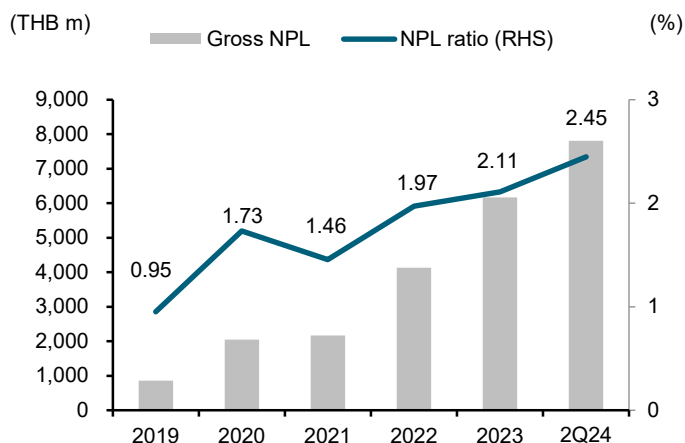
	2022	2023	1Q24	2Q24	2022	2023	1Q24	2Q24
	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)
<b>Staged loans</b>								
Stage 1	65,700	80,023	82,054	83,333	80.8	82.1	81.9	80.9
Stage 2	14,280	16,022	16,473	17,792	17.6	16.4	16.5	17.3
Stage 3	1,285	1,412	1,607	1,916	1.6	1.4	1.6	1.9
Total loans	81,265	97,457	100,133	103,042	100.0	100.0	100.0	100.0
<b>Allowance for ECL</b>								
Stage 1	1,075	1,390	1,524	1,616	1.6	1.7	1.9	1.9
Stage 2	1,311	1,604	1,654	1,691	9.2	10.0	10.0	9.5
Stage 3	813	988	1,066	1,049	63.2	70.0	66.3	54.8
Total ECL	3,199	3,981	4,244	4,356	3.9	4.1	4.2	4.2
<b>LLR/ Loans</b>								
	(%)	(%)	(%)	(%)				
Stage 1	1.6	1.7	1.9	1.9				
Stage 2	9.2	10.0	10.0	9.5				
Stage 3	63.2	70.0	66.3	54.8				
Total LLR / Loans	3.9	4.1	4.2	4.2				
	(%)	(%)	(%)	(%)				
NPL / TL	1.58	1.45	1.60	1.86				
NPL vs Stage 2 loans / TL	249	282	264	227				
LLR / NPL	19.15	17.89	18.06	19.13				
LLR / (NPL vs Stage 2)	20.6	22.8	23.5	22.1				

Sources: TIDLOR; FSSIA's compilation

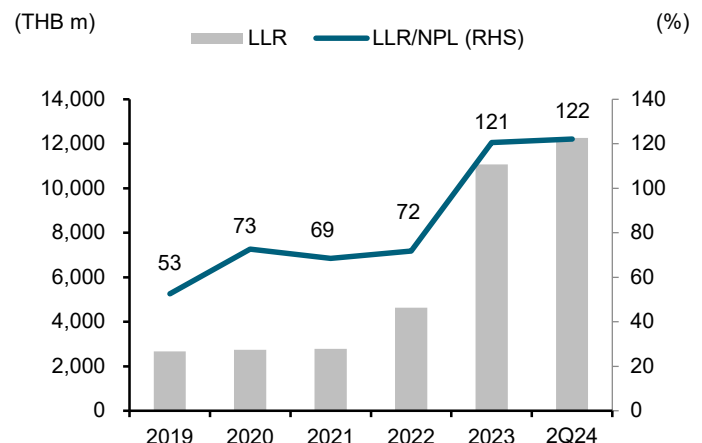
**Exhibit 10: SAK – Staged loans and ECL, as of 23 August 2024**

	2022 (THB m)	2023 (THB m)	1Q24 (THB m)	2Q24 (THB m)	2022 (%)	2023 (%)	1Q24 (%)	2Q24 (%)
<b>Staged loans</b>								
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
<b>Allowance for ECL</b>								
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
<b>LLR/ Loans</b>								
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 11: Vehicle title loans – NPLs and NPL ratio, 2019-2Q24**

Sources: BoT; FSSIA's compilation

**Exhibit 12: Vehicle title – LLR and LLR/NPL of companies under coverage, as of 2Q24**Note: The figure includes the contributions from MTC, SAWAD, TIDLOD and SAK  
Sources: Company data; FSSIA's compilation**Financial liquidity remains solid in 2H24**

Regarding concerns about the financial liquidity of the four companies under review and their ability to meet debt obligations maturing within the next year, especially given the current volatility in the bond market, we have gathered data on each company's liquidity. This includes cash on hand, monthly cash inflows from debt collections, and the availability of undrawn credit lines from financial institutions that the company can draw upon in emergencies without needing to issue new bonds to replace maturing ones.

In summary, the liquidity positions of these companies are not currently at a concerning level. Most of them have sufficient financial liquidity, particularly in the case of SAWAD, which faces a unique situation due to an ongoing legal case with the Department of Special Investigation (DSI), although the alleged debt amount is insignificant. This situation may create short-term obstacles for the company in issuing new bonds. As a result, SAWAD has prioritized debt repayment, which might slightly reduce loan growth in 2024. However, we view the situation as a temporary measure aimed at stabilizing the situation in the short term.

Exhibit 13: Liquidity position, as of 1H24

	MTC	SAWAD	TIDLOR	SAK
	(THB m)	(THB m)	(THB m)	(THB m)
Cash on hand	2,268	5,256	1,432	210
Cash in per month	6,000-8,000	4,000-5,000	3,000-4,000	600-700
Credit line from FIs	20,000	6,000	5,000	2,000
Credit line from major shareholder	-	3,000-4,000	23,000	-
S-T loans and debentures - due within 1 year	(56,847)	(39,806)	(30,068)	(5,446)

Sources: Company data; FSSIA's compilation

Exhibit 14: Outstanding amount and maturity of existing debentures, as of 26 August 2024

	----- Outstanding debenture -----				----- Maturity during quarter -----				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Total
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
MTC									
2024	71,923	80,484	78,494	72,044	6,386	5,060	7,074	6,449	24,970
2025	64,566	52,625	43,715	40,486	7,479	11,940	8,910	3,229	31,558
2026	35,887	24,622	20,747	18,682	4,599	11,266	3,875	2,064	21,804
SAWAD									
2024	41,771	44,611	43,871	40,092	3,247	-	2,818	3,779	9,844
2025	37,235	30,282	26,200	24,108	2,857	6,953	4,082	2,093	15,985
2026	22,108	15,756	12,505	12,001	2,000	6,353	3,251	504	12,107
TIDLOR									
2024	39,650	34,300	37,300	37,300	-	5,350	3,000	-	8,350
2025	36,300	36,300	25,600	17,900	1,000	-	10,700	7,700	19,400
2026	15,900	14,900	10,500	6,900	2,000	1,000	4,400	3,600	11,000
SAK									
2024	363	363	363	363	-	-	-	-	-
2025	363	363	363	363	-	-	-	-	-
2026	363	363	363	-	-	-	363	-	363

Sources: ThaiBMA; FSSIA's compilation

Exhibit 15: Companies' leverage ratios and covenant limits

	----- MTC -----			----- SAWAD -----			----- TIDLOR -----			----- SAK -----		
	2023	2024E	2Q24	2023	2024E	2Q24	2023	2024E	2Q24	2023	2024E	2Q24
Covenant												
D/E	4.50	4.50	4.50	4.50	4.50	4.50	n/a	n/a	n/a	3.00	3.00	3.00
IBD/E	n/a	n/a	n/a	n/a	n/a	n/a	6.00	6.00	6.00	n/a	n/a	n/a
IBD/E paid-up capital	n/a	n/a	n/a	n/a	n/a	n/a	7.00	7.00	7.00	n/a	n/a	n/a
Actual/ Est.												
D/E	3.70	3.68	3.68	2.57	2.13	2.38	2.52	2.51	2.53	1.26	1.35	1.44
IBD/E	3.60	3.58	3.60	2.44	1.97	2.26	2.43	2.43	2.44	1.21	1.30	1.39
IBD/E paid-up capital	-	-	-	-	-	-	8.25	6.64	6.87	-	-	-

Sources: Company data; FSSIA estimates



## 2024-26E profit grows 16.7% CAGR, with MTC performing the best

We anticipate robust average net profit growth of 16.7% CAGR for 2024-26, led by MTC, with expected net profit growth of 23.1% CAGR over the same period. This growth would be driven not only by continued loan expansion but also by a gradual reduction in credit costs, from a peak of 3.71% in 2023 to 2.67% in 2026E, mainly due to declining losses from the sale of repossessed vehicles.

Following MTC, we expect TIDLOR, SAK, and SAWAD to achieve net profit growth of 16.3%, 12.8%, and 10.7% CAGR, respectively. These companies will also benefit from ongoing loan growth and a reduction in credit costs, as they have already passed the peak in 2023. Additionally, we forecast loan spreads to remain stable to slightly positive, ranging between 14.80% and 14.93% during 2025-26, compared to 14.80% in 2024E, owing to the easing pressure from the cost of funds.

### Exhibit 16: Peers' performance comparison

	----- MTC -----			----- SAWAD -----			----- TIDLOR -----			----- SAK -----		
	2022 (THB m)	2023 (THB m)	1H24 (THB m)	2022 (THB m)	2023 (THB m)	1H24 (THB m)	2022 (THB m)	2023 (THB m)	1H24 (THB m)	2022 (THB m)	2023 (THB m)	1H24 (THB m)
Gross loans	119,084	141,559	152,934	55,147	96,981	98,792	79,898	96,020	101,463	10,600	12,066	13,317
% growth Y-Y	30.0	18.2	16.5	63.8	75.9	13.6	32.4	20.2	18.1	22.0	13.8	16.7
Branch (no.)	6,668	7,537	7,980	5,385	5,447	5,622	1,628	1,678	1,723	929	1,029	1,029
Loans per branch	17.9	18.8	19.2	10.2	17.8	17.6	49.1	57.2	58.9	11.4	11.7	12.9
Yields (%)	18.30	18.03	21.02	19.77	20.70	18.77	17.87	17.67	19.09	23.95	23.59	23.35
Cost of funds (%)	3.36	3.66	4.10	3.26	4.18	4.44	2.51	2.93	3.41	3.35	4.85	4.87
Interest spreads (%)	14.94	14.38	14.21	16.51	16.52	14.33	15.37	14.74	15.67	20.61	18.74	18.48
% NII/ Total Rev.	95	95	95	69	81	84	80	80	81	99	99	99
% Non-NII/ Total Rev.	5	5	5	31	19	18	20	20	19	1	1	1
Operating expense	8,069	10,042	7,574	5,442	8,282	4,817	7,923	9,401	5,173	1,139	1,324	712
Cost to income (%)	46.76	46.94	47.64	48.47	49.75	52.60	56.44	54.88	53.74	48.78	48.32	49.04
Net profit	5,093	4,906	2,834	4,476	5,001	2,525	3,640	3,790	2,195	712	750	395
% growth Y-Y	3.0	(3.7)	24.8	(5.2)	11.7	7.6	14.9	4.1	16.6	17.2	5.3	11.1
ROE (%)	18.88	16.08	15.48	17.78	18.58	17.95	15.22	14.08	16.83	13.89	13.41	13.93
ROA (%)	4.50	3.53	3.38	7.49	5.53	4.68	4.81	4.10	5.06	6.73	6.05	5.87
BVS (THB)	13.72	15.06	14.45	21.12	22.72	20.33	10.18	10.12	10.25	2.56	2.78	2.82
PBV (x)	3.10	2.82	2.94	1.51	1.41	1.57	1.36	1.36	1.35	1.85	1.71	1.68
NPL	3,507	4,461	4,433	1,385	2,998	3,360	1,285	1,412	1,916	276	310	333
LLR	3,686	5,169	5,562	656	1,605	2,010	3,199	3,981	4,356	290	310	335
NPL ratio	3.00	3.22	2.90	2.51	3.09	3.40	1.61	1.47	1.89	2.61	2.57	2.50
NPL Coverage ratio	105	116	125	47	54	60	249	282	227	105	100	103
ECL	2,433	3,934	1,692	78	1,763	1,023	1,583	2,986	1,715	131	151	85
Credit cost (%)	2.70	3.71	3.21	0.18	2.32	2.07	2.26	3.39	3.66	1.36	1.33	1.37
D/E ratio (x)	3.40	3.70	3.68	1.40	2.57	2.38	2.33	2.52	2.53	1.16	1.26	1.44
IBD/E ratio (x)	3.30	3.60	3.60	1.26	2.44	2.26	2.23	2.43	2.44	1.11	1.21	1.39

Sources: Company data; FSSIA estimates

## MTC remains our top BUY call; SAK also offers an attractive potential upside

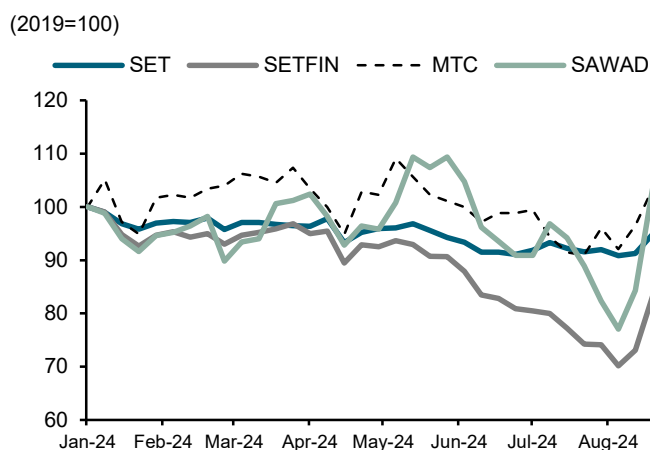
In addition to the fundamental positives, we see short-term benefits from the government's economic stimulus measures, which should benefit overall debt collection in 4Q24. We select MTC as our top pick, given its standout net profit growth potential and the most positive asset quality trends compared to its peers. Additionally, we recommend buying SAK due to its strong projected net profit growth, asset quality improvement, and more attractive potential upside.

**MTC (BUY; TP THB50)** We maintain our BUY recommendation for MTC with a favorable outlook on its asset quality, supported by the following factors:

- Strong profit growth outlook: We anticipate MTC's net profit to grow at a CAGR of 23.1% over 2024-26, driven by robust loan growth averaging 14.7-19.5% per annum, supported by aggressive branch expansion and improved branch efficiencies, alongside a lower credit cost.
- Improved asset quality: The declining trend in MTC's NPL ratio and credit cost underscores the success of its proactive debt management efforts in addressing vintage bad debts and its prudent credit quality policy for new loans since 2023.
- Contained funding costs: We view the higher cost of funds as well-contained, presenting potential upside to our forecast if market interest rates decline as expected.
- Valuation: 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%. Although MTC's stock may have a higher valuation than its peers, it is justified by its superior expected growth in operational performance.

**SAK (BUY; TP THB5.28)** We recommend BUY for SAK based on the following factors:

- Strategic focus on land title loans: SAK's emphasis on land title loans to drive growth, even with a lower loan yield trade-off, has been well managed by reducing financial costs. Consequently, the loan spread has not been adversely affected as initially expected.
- Manageable asset quality: Although there is a deteriorating trend, SAK's asset quality remains manageable, with a stable NPL ratio and credit cost. The company has maintained a coverage ratio of 100.6%, which we view as a positive sign of financial health.
- Attractive valuation: The significant decline in SAK's share price, down over 15% in the past three months, presents a compelling upside potential of 10.3%. This includes an estimated dividend yield of 3.8% for 2024. Our 2024 GGM-based target price remains at THB5.28, implying a P/BV of 1.76x.

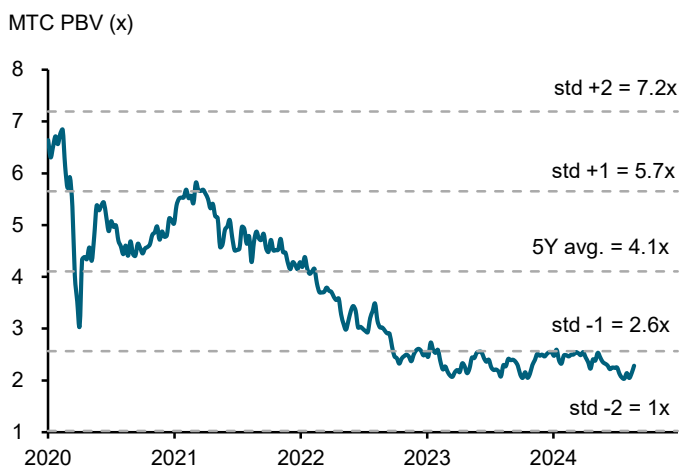
**Exhibit 17: YTD relative price performance of vehicle title lenders under coverage, as of 26 August 2024**

Sources: Bloomberg; FSSIA's compilation

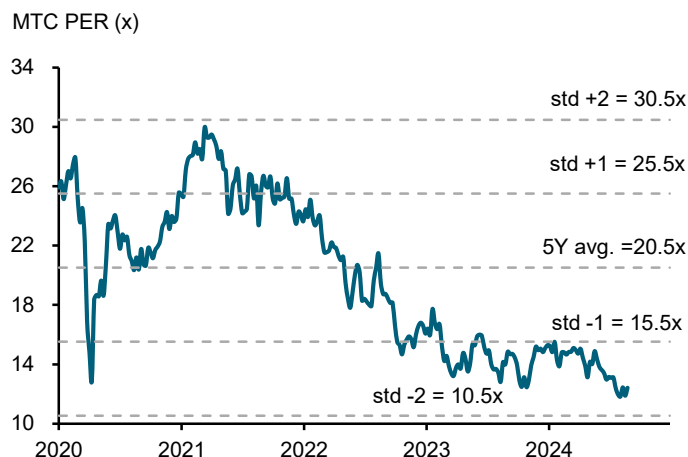
**Exhibit 18: Share price performance of non-banks under coverage, as of 26 August 2024**

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
<b>TIDLOR TB</b>	<b>5.0</b>	<b>(17.3)</b>	<b>(25.7)</b>	<b>(27.5)</b>	<b>(23.0)</b>
<b>MTC TB</b>	<b>11.9</b>	<b>(2.2)</b>	<b>(3.2)</b>	<b>10.5</b>	<b>(0.6)</b>
<b>SAWAD TB</b>	<b>13.3</b>	<b>(7.3)</b>	<b>3.9</b>	<b>(16.3)</b>	<b>3.9</b>
<b>SAK TB</b>	<b>0.0</b>	<b>(14.8)</b>	<b>10.3</b>	<b>(8.5)</b>	<b>18.8</b>
AEONTS TB	16.6	(15.6)	(13.6)	(27.2)	(18.8)
KTC TB	6.9	(2.3)	(1.7)	(12.4)	(2.3)
ASK TB	20.9	(11.9)	(29.6)	(48.3)	(33.2)
THANI TB	20.7	(11.0)	(0.4)	(30.4)	(11.2)
JMT TB	33.3	(10.6)	(33.9)	(67.3)	(40.4)
BAM TB	13.2	(13.5)	(3.8)	(33.0)	(5.5)
CHAYO TB	30.1	(11.1)	(38.4)	(54.9)	(35.0)
<b>SETFIN</b>	<b>11.8</b>	<b>(9.2)</b>	<b>(13.0)</b>	<b>(28.3)</b>	<b>(14.3)</b>
<b>SET</b>	<b>4.4</b>	<b>(0.1)</b>	<b>(2.1)</b>	<b>(12.5)</b>	<b>(3.6)</b>

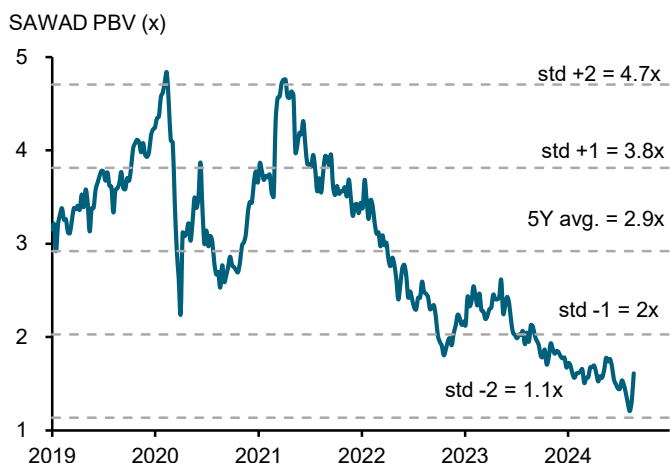
Source: Bloomberg

**Exhibit 19: MTC – one-year prospective P/BV band**

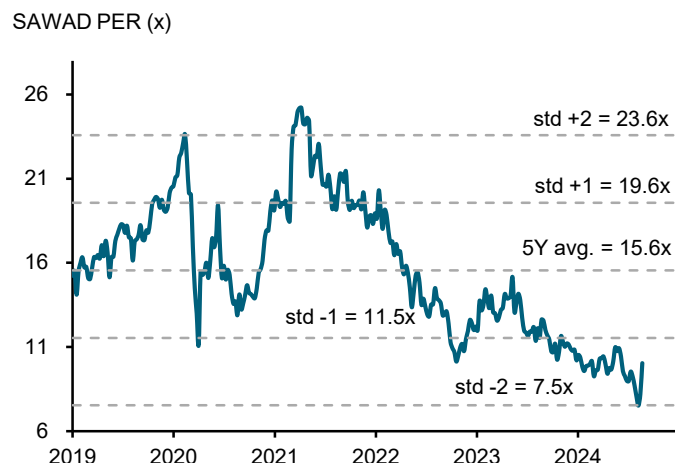
Sources: Bloomberg; FSSIA estimates

**Exhibit 20: MTC – one-year prospective PER band**

Sources: Bloomberg; FSSIA estimates

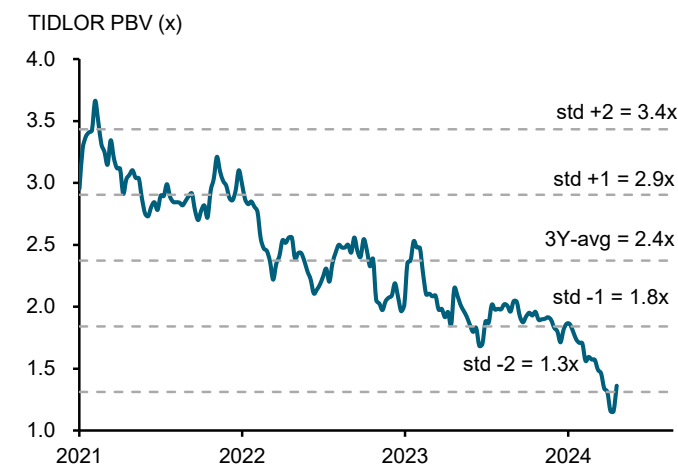
**Exhibit 21: SAWAD – one-year prospective P/BV band**

Sources: Bloomberg; FSSIA estimates

**Exhibit 22: SAWAD – one-year prospective PER band**

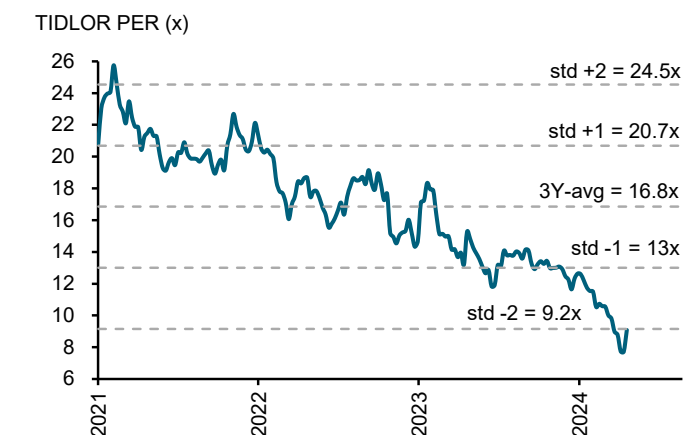
Sources: Bloomberg; FSSIA estimates

Exhibit 23: TIDLOR – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 24: TIDLOR – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 25: SAK – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 26: SAK – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 27: Peers comparisons, as of 26 August 2024

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE 24E (x)	PE 25E (x)	PBV 24E (x)	PBV 25E (x)	ROE 24E (%)	ROE 25E (%)	Div yld 24E (x)	Div yld 25E (x)
Auto title													
Muangthai Capital	MTC TB	BUY	44.75	50.00	11.7	15.1	12.1	2.5	2.1	18.1	19.0	0.6	0.8
Srisawad Corp	SAWAD TB	HOLD	38.25	37.00	(3.3)	11.1	9.9	1.7	1.5	17.0	16.2	0.3	1.0
Ngern Tid Lor	TIDLOR TB	HOLD	16.70	15.80	(5.4)	11.1	9.5	1.5	1.4	14.5	15.1	2.7	3.2
Saksiam Leasing	SAK TB	BUY	4.94	5.28	6.9	12.5	10.9	1.6	1.5	13.7	14.4	3.4	3.8
Unsecured finance													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	130.00	145.00	11.5	10.0	9.4	1.2	1.1	12.8	12.6	4.2	4.5
Krungthai Card	KTC TB	HOLD	42.50	40.00	(5.9)	14.3	13.7	2.7	2.5	20.3	19.0	3.2	3.3
Hire-purchase truck													
Asia Sermkij Leasing	ASK TB	HOLD	13.30	9.60	(27.8)	15.8	12.4	0.7	0.6	4.2	5.3	3.2	4.0
Ratchthani Leasing	THANI TB	HOLD	2.10	1.88	(10.5)	11.4	10.5	1.0	0.9	8.5	8.9	4.8	5.2
AMCs													
Bangkok Commercial Asset Mgmt.	BAM TB	BUY	7.70	7.50	(2.6)	14.0	13.1	0.6	0.6	4.1	4.3	4.9	5.0
JMT Network services	JMT TB	HOLD	15.20	11.00	(27.6)	13.5	11.2	0.8	0.8	6.1	7.2	4.4	5.4
Chayo Group	CHAYO TB	HOLD	3.54	3.00	(15.3)	13.9	8.9	1.1	0.9	8.1	11.1	1.9	1.7
Average						13.0	11.1	1.4	1.3	11.6	12.1	3.0	3.4

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

Sources: Bloomberg; 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 Sustainability	The Sustainability's 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
Srisawad Corp	SAWAD TB	THB 38.25	HOLD	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board. Upside risks include 1) a faster-than-expected decline in losses on sales of repossessed cars for SCAP; and 2) an interest rate downtrend could push its interest spread.
JMT Network Services	JMT TB	THB 15.20	HOLD	Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks include 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense.
Ngern Tid Lor	TIDLOR TB	THB 16.70	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 2.10	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 44.75	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 4.94	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 130.00	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Krungthai Card	KTC TB	THB 42.50	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.
Asia Sermkij Leasing PCL	ASK TB	THB 13.30	HOLD	Upside risks include 1) a better-than-expected macroeconomic improvement; 2) downtrend of policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
Bangkok Commercial Asset Mngt.	BAM TB	THB 7.70	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 3.54	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 26-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.