

# SAKSAM LEASING

  
 THAILAND / FINANCE & SECURITIES

# SAK TB

# BUY

UNCHANGED

## Positive outlook for 2H24

- The message from our "Exclusive Talk" event provided further evidence of SAK's loan and net profit growth path in 2H24.
- Despite a lower spread expectation, the underestimated loan growth would offset it without affecting our 2024-26E net profit forecast.
- Maintain our BUY rating with a 2024 TP of THB5.28.

TARGET PRICE	THB5.28
CLOSE	THB4.84
UP/DOWNSIDE	+9.1%
PRIOR TP	THB5.28
CHANGE IN TP	0.0%
TP vs CONSENSUS	-14.3%

### 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 (%)	-	-	(6.2)	(11.0)
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)	13.5	12.2	10.7	9.4
Dividend yield (%)	3.1	3.4	3.9	4.4
Price/book (x)	1.7	1.6	1.5	1.4
ROE (%)	13.4	13.7	14.4	15.0
ROA (%)	6.0	6.0	6.0	5.9

### Loans continue a solid growth path in 2H24

SAK expects loan growth momentum to continue in 2H24, although it may not be as aggressive as in 1H24. Also, the 2024 growth could exceed its 15.0% y-y guidance and our target of 13.1% y-y. Accordingly, our 2024E net profit faces an upside risk of c1.3%. The growth driver should be equally divided between auto and land title loans. The company would strategically focus on low-yield loan products, particularly in the land title segment, to expand its market reach while maintaining overall growth. The emphasis would be on prudent lending practices--below THB300K per account based on a very low LTV--to balance growth with asset quality. SAK aims to ensure that the proportion of low-yield loans is at most 10% of the total loan portfolio by the end of 2024, compared to approximately 5.3% at the end of 2Q24.

### Manageable asset quality with a lower credit cost in 2H24

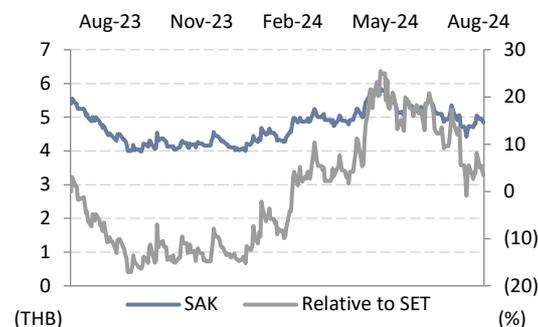
SAK forecasts that the NPL ratio in 2H24 will remain stable at around 2.50%, similar to 1H24 and in line with the company's long-term target. However, the current flooding situation is under evaluation, which may affect debt collection in some northern areas. The company anticipates the overall impact will be limited, as they expect debtors to resume payments after floodwaters recede, though it expects some assistance to be provided to affected debtors. Regarding credit costs in 2H24, there is a potential for a decline on a half-year basis due to the low NPL ratio of land title loans. This aligns with our expectation of 130bp for 2024 vs 137bp in 1H24.

### Maintain our 2024-26 net profit forecast

We maintain our 2024-26 net profit 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 higher-than-expected loan spread. In addition, we expect a q-q increase in 3Q24 net profit due to more revenue recognition from aggressive loan growth and a stable cost of funds.

### Maintain our BUY call with a 2024 TP of THB5.28

We maintain our BUY call owing to the current share price offering a potential upside of 12.5%, including an estimated dividend yield of 3.4% in 2024. Our 2024 GGM-based TP remains at THB5.28, implying a P/BV of 1.76x.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(2.0)	(14.3)	(11.2)
Relative to country (%)	(5.6)	(14.8)	2.6
Mkt cap (USD m)	299		
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


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## Investment thesis

We maintain our BUY recommendation 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%.
- The current share price offers a potential upside of 12.5%, including an estimated dividend yield of 3.4% in 2024. Our 2024 GGM-based TP remains at THB5.28, implying a P/BV of 1.76x.

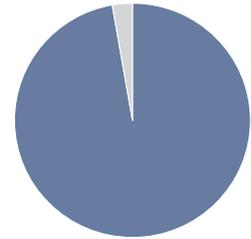
## Company profile

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](http://www.saksiam.com)

## Principal activities (revenue, 1H24)

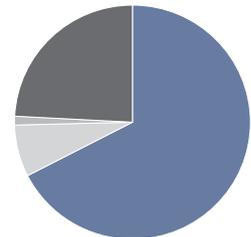
- Net interest income - 97.3 %
- Non-interest income - 2.7 %



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) An upcoming economic stimulus from the government;
- 3) A stronger-than-expected improvement in asset quality;
- 4) Better-than-expected controls 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 (%)	10.80	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		
<b>Loan growth</b>	<b>±2ppt</b>	<b>11.06</b>	<b>13.06</b>	<b>15.06</b>
% change in net profit		(1.3)	-	1.3
<b>Interest spread (%)</b>	<b>±10bp</b>	<b>18.54</b>	<b>18.64</b>	<b>18.74</b>
% change in net profit		(0.6)	-	0.6
<b>Credit cost (bp)</b>	<b>±10bp</b>	<b>1.20</b>	<b>1.30</b>	<b>1.40</b>
% change in net profit		1.2	-	(1.2)

Source: FSSIA estimates

## Positive outlook for 2H24

Here is a summary of the "Exclusive Talk" event we hosted with SAK executives on August 29, focusing on three main topics:

**(+) Loan outlook for 2H24:** SAK expects loan growth momentum to continue in 2H24, although it may not be as aggressive as in 1H24. Also, the 2024 growth could exceed its 15.0% y-y guidance and our target of 13.1% y-y. Accordingly, our 2024E net profit faces an upside risk of c1.3%. The growth driver should be equally divided between auto and land title loans. The company would strategically focus on low-yield loan products, particularly in the land title segment, to expand its market reach while maintaining overall growth. The emphasis would be on prudent lending practices – below THB300K per account based on a very low LTV — to balance growth with asset quality. SAK aims to ensure that the proportion of low-yield loans is at most 10% of the total loan portfolio by the end of 2024, compared to approximately 5.3% at the end of 2Q24.

**(-) Lower loan spread in 2H24:** To mitigate the impact on spreads from a growing proportion of low-yield loans, SAK has negotiated with creditor banks to lower loan interest rates, which will take full effect in 2H24. The company anticipates that 2H24 interest rates will decrease by c50bp from 4.87% in 1H24. A funding cost reduction would help partially offset a decline in loan yield expected in 2H24. As a result, the spread in 2H24 is likely to decrease from 18.48% in 1H24. Consequently, our 2024 spread forecast faces a downside risk of c24bp, and we estimate a potential reduction in net profit of c1.4% from the current forecast.

**(0) Asset quality and credit costs in 2H24:** SAK forecasts that the NPL ratio in 2H24 will remain stable at around 2.50%, similar to 1H24 and in line with the company's long-term target. However, the current flooding situation is under evaluation, which may affect debt collection in some northern areas. The company anticipates the overall impact will be limited, as they expect debtors to resume payments after floodwaters recede, though it expects some assistance to be provided to affected debtors.

Regarding credit costs in 2H24, there is a potential for a decline on a half-year basis due to the low NPL ratio of land title loans. This aligns with our expectation of 130bp for 2024 vs 137bp in 1H24.

Regarding concerns about an increase in the stage 2 loans, which now account for around 5% of total loans and exceed the company's target of keeping it below 4.5%, SAK explained that this increase was due to the expiration of the Bank of Thailand's measures since the end of 2023, which led to more debtors falling into this category. Additionally, the company requires a three-month wait to assess a debtor's repayment capacity before extending new credit or upgrading the loan status to normal.

SAK emphasized that they were not concerned about the current stage 2 loans. Compared to competitors, SAK had the lowest stage 2 loans: MTC (9%), SAWAD (11%), and TIDLOR (17%). Additionally, SAK maintained the highest ECL reserve for stage 2 loans at 13%, compared to MTC (8%), SAWAD (7%), and TIDLOR (10%).

## Exhibit 1: SAK – 2Q24 operating summary

	2Q23	3Q23	4Q23	1Q24	2Q24	----- Change -----		1H24	Change	% of	2024E	Change
	(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
<b>Net profit</b>	<b>180</b>	<b>187</b>	<b>208</b>	<b>195</b>	<b>200</b>	<b>2.5</b>	<b>10.9</b>	<b>395</b>	<b>11.1</b>	<b>47</b>	<b>831</b>	<b>10.8</b>
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
<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>	
	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
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)	(%)	(%)	(%)	(%)
<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>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</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				

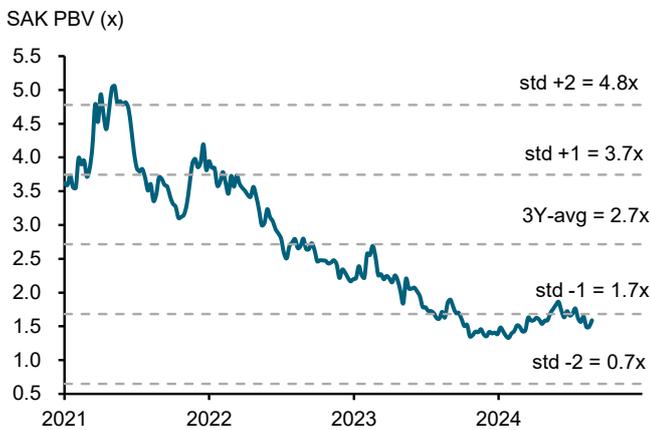
Sources: SAK; FSSIA's compilation

**Exhibit 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%
<b>ROE-g/COE-g (x)</b>	<b>1.76</b>

Source: FSSIA estimates

**Exhibit 5: SAK – one-year prospective PBV band**



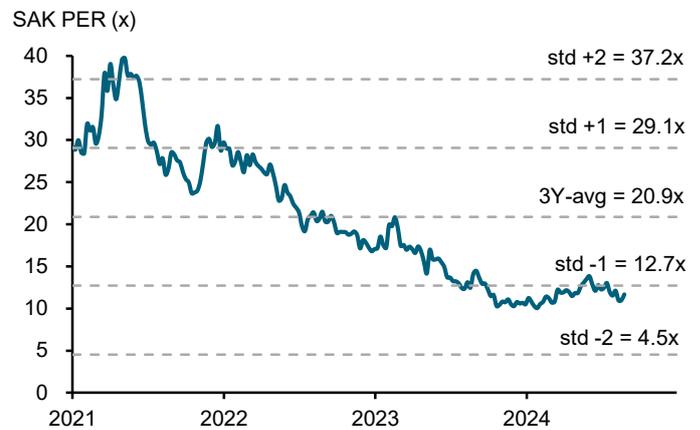
Sources: Bloomberg; FSSIA estimates

**Exhibit 4: Share price performance of non-banks under coverage, as of 29 August 2024**

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	5.1	(18.0)	(24.4)	(28.5)	(24.4)
MTC TB	10.0	(2.2)	(3.8)	6.7	(2.2)
SAWAD TB	16.0	(9.5)	10.0	(17.2)	3.2
<b>SAK TB</b>	<b>(3.2)</b>	<b>(17.3)</b>	<b>12.6</b>	<b>(11.2)</b>	<b>16.3</b>
AEONTS TB	15.0	(16.8)	(15.7)	(28.9)	(20.9)
KTC TB	8.2	(6.0)	0.0	(12.3)	(1.7)
ASK TB	16.4	(14.7)	(27.3)	(50.8)	(35.7)
THANI TB	13.6	(15.3)	(2.9)	(34.9)	(15.4)
JMT TB	42.0	(3.0)	(29.0)	(66.7)	(37.6)
BAM TB	11.1	(13.3)	(10.7)	(38.0)	(8.0)
CHAYO TB	26.9	(12.4)	(39.3)	(56.7)	(37.6)
<b>SETFIN</b>	<b>11.0</b>	<b>(10.7)</b>	<b>(12.3)</b>	<b>(30.6)</b>	<b>(15.6)</b>
<b>SET</b>	<b>3.8</b>	<b>0.4</b>	<b>(1.0)</b>	<b>(13.9)</b>	<b>(4.1)</b>

Source: Bloomberg

**Exhibit 6: SAK – one-year prospective PER band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 7: Peers comparison, as of 29 August 2024**

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE		PBV		ROE		Div yld	
						24E (x)	25E (x)	24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)
<b>Auto title</b>													
Muangthai Capital	MTC TB	BUY	44.00	50.00	13.6	14.8	11.9	2.5	2.1	18.1	19.0	0.6	0.8
Srisawad Corp	SAWAD TB	HOLD	38.00	37.00	(2.6)	11.0	9.8	1.7	1.5	17.0	16.2	0.3	1.0
Ngern Tid Lor	TIDLOR TB	HOLD	16.40	15.80	(3.7)	10.9	9.3	1.5	1.3	14.5	15.1	2.8	3.2
<b>Saksiam Leasing</b>	<b>SAK TB</b>	<b>BUY</b>	<b>4.84</b>	<b>5.28</b>	<b>9.1</b>	<b>12.2</b>	<b>10.7</b>	<b>1.6</b>	<b>1.5</b>	<b>13.7</b>	<b>14.4</b>	<b>3.4</b>	<b>3.9</b>
<b>Unsecured finance</b>													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	126.50	145.00	14.6	9.7	9.2	1.2	1.1	12.8	12.6	4.3	4.6
Krungthai Card	KTC TB	HOLD	42.75	40.00	(6.4)	14.4	13.8	2.8	2.5	20.3	19.0	3.1	3.3
<b>Hire-purchase truck</b>													
Asia Sermkij Leasing	ASK TB	HOLD	12.80	9.60	(25.0)	15.2	12.0	0.6	0.6	4.2	5.3	3.3	4.2
Ratchthani Leasing	THANI TB	HOLD	2.00	1.88	(6.0)	10.8	10.0	0.9	0.9	8.5	8.9	5.1	5.5
<b>AMCs</b>													
Bangkok Commercial Asset Mgmt.	BAM TB	BUY	7.50	9.00	20.0	13.3	12.3	0.5	0.5	4.1	4.4	6.0	6.5
JMT Network services	JMT TB	HOLD	15.90	11.00	(30.8)	14.2	11.7	0.9	0.8	6.1	7.2	4.2	5.1
Chayo Group	CHAYO TB	HOLD	3.40	3.00	(11.8)	13.3	8.6	1.0	0.9	8.1	11.1	1.9	1.7
<b>Average</b>						<b>12.7</b>	<b>10.8</b>	<b>1.4</b>	<b>1.2</b>	<b>11.6</b>	<b>12.1</b>	<b>3.2</b>	<b>3.6</b>

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

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
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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
<b>Income Breakdown</b>					
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
<b>Operating performance</b>					
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
<b>Net customer loans</b>	<b>10,576</b>	<b>12,070</b>	<b>13,642</b>	<b>15,654</b>	<b>17,965</b>
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
<b>Total assets</b>	<b>11,624</b>	<b>13,184</b>	<b>14,794</b>	<b>16,956</b>	<b>19,354</b>
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	-	-	-	-	-
<b>Total liabilities</b>	<b>6,247</b>	<b>7,352</b>	<b>8,478</b>	<b>10,088</b>	<b>11,860</b>
Share capital	2,096	2,096	2,096	2,096	2,096
Reserves	3,267	3,724	4,206	4,758	5,382
<b>Total equity</b>	<b>5,363</b>	<b>5,820</b>	<b>6,302</b>	<b>6,854</b>	<b>7,478</b>
Non-controlling interest	13	12	13	14	15
<b>Total liabilities &amp; equity</b>	<b>11,624</b>	<b>13,184</b>	<b>14,794</b>	<b>16,956</b>	<b>19,354</b>
<b>Supplementary items</b>					
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
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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 (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
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 (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
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
<b>Valuation</b>					
Recurring P/E (x) *	14.2	13.5	12.2	10.7	9.4
Recurring P/E @ target price (x) *	15.5	14.8	13.3	11.7	10.3
Reported P/E (x)	14.2	13.5	12.2	10.7	9.4
Dividend yield (%)	2.8	3.1	3.4	3.9	4.4
Price/book (x)	1.9	1.7	1.6	1.5	1.4
Price/tangible book (x)	1.9	1.7	1.6	1.5	1.4
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**

★ ★ ★

**45.28 /100**

## Exhibit 8: FSSIA ESG score implication

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

Sources: FSSIA estimates

## Exhibit 9: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
MTC	68.21	--	Y	Y	5.00	5.00	Certified	Low	42.19	AA	--	58.09	42.00	3.31	--
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04
TIDLOR	36.71	--	--	--	4.00	4.00	Certified	Medium	37.03	--	--	23.69	19.00	1.66	--
SAK	45.28	--	Y	Y	4.00	4.00	Certified	High	40.10	--	--	43.87	--	2.02	36.23
TK	15.00	--	--	--	5.00	5.00	--	--	--	--	--	--	--	--	--
HENG	20.00	--	--	--	5.00	5.00	Certified	--	--	--	--	--	--	--	--
S11	13.00	--	--	--	4.00	4.00	--	--	--	--	--	--	--	--	--
NCAP	18.00	--	--	--	4.00	4.00	Certified	--	--	--	--	--	--	--	--

Sources: SETTRADE.com; FSSIA's compilation

## Exhibit 10: ESG score by Bloomberg

FY ending Dec 31	FY 2020	FY 2021	FY 2022
<b>ESG financial materiality scores - ESG score</b>	<b>—</b>	<b>1.85</b>	<b>2.01</b>
BESG environmental pillar score	—	0.00	0.00
BESG social pillar score	—	0.83	0.84
BESG governance pillar score	—	5.12	5.83
<b>ESG disclosure score</b>	<b>26.25</b>	<b>36.23</b>	<b>36.23</b>
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
<b>Environmental</b>			
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 11: ESG score by Bloomberg (cont.)**

<b>FY ending Dec 31</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
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	—	—	—
<b>Social</b>			
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
<b>Governance</b>			
<b>Board size</b>	<b>11</b>	<b>11</b>	<b>11</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>4</b>	<b>4</b>
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	—	—	—
<b>No. of executives / company managers</b>	<b>13</b>	<b>13</b>	<b>12</b>
No. of female executives	4	2	2
Executive share ownership guidelines	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on audit committee	3	3	3
Audit committee meetings	5	6	5
Audit meeting attendance %	100	100	100
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of ID on compensation committee	2	2	2
No. of compensation committee meetings	2	4	4
Compensation meeting attendance %	100	100	100
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	2	4	4
Nomination meeting attendance %	100	100	100
<b>Sustainability governance</b>			
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 <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.																											
<b>CG Score</b> 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%).																											
<b>AGM level</b> 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.																											
<b>Thai CAC</b> 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.																											
<b>Morningstar Sustainalytics</b>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																	
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<b>ESG Book</b>	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.																											
<b>MSCI</b>	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 border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
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<b>Moody's ESG solutions</b>	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.																												
<b>Refinitiv ESG rating</b>	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>																												
<b>S&amp;P Global</b>	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.																												
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																											
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																											

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

Source: FSSIA's compilation

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

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Company	Ticker	Price	Rating	Valuation & Risks
Saksiam Leasing	SAK TB	THB 4.84	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.
Muangthai Capital	MTC TB	THB 44.00	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Srisawad Corp	SAWAD TB	THB 38.00	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.
Ngern Tid Lor	TIDLOR TB	THB 16.40	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) the lower-than-expected credit costs from better asset quality management and 2) the higher-than-expected loan and insurance premium growth from the positive effects of the more favorable economic situations.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 126.50	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 42.75	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 12.80	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) downtrend of policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
Ratchthani Leasing	THANI TB	THB 2.00	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.
Bangkok Commercial Asset Mngt.	BAM TB	THB 7.50	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 3.40	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 29-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.