

# AEON THANA SINSAP (THAILAND)

## THAILAND / FINANCE & SECURITIES

### 2Q24 profit beats expectations; asset quality worsens

- AEONTS reported a recovery in the 2QFY24 net profit due mainly to a gain from debt selling and a decline in credit costs.
- Asset quality turned negative with a rise in the NPL ratio and a lower coverage ratio, owing to a slower pace of debt write-offs.
- Reiterate our HOLD call with a lower FY24 TP to THB142.

### 2QFY24 profit significantly beat our estimate and consensus

AEONTS surprised the market with an impressive 2QFY24 net profit which jumped 56.8% q-q, although it still decreased by 2.4% y-y, amounting to THB822m. This figure beat our estimate and the BBG consensus by 12% and 18%, respectively. The better-than-expected non-NII (from higher gains on debt sales and bad debt recovery) was a crucial driver this quarter, while NII aligned with expectations. PPOP rose to THB3.02b, matching our expectation with a 9.6% q-q increase but remaining relatively stable y-y. Loans declined as expected, particularly personal and credit card loans, except for hire purchases, which expanded aggressively. As anticipated, the loan spread increased by 8bp due to higher loan yields, which offset the increased cost of funds. OPEX continued its downtrend, which was consistent with the company's prudent cost-control strategy. Thanks to the higher-than-expected operating income, its cost-to-income ratio finished better than expected at 37.3%.

### Asset quality turned negative following slower debt write-offs

The asset quality was worse than expected. The 2QFY24 NPL ratio rose to 5.80% vs 5.39% in 1QFY24 due to a slower pace of bad debt write-offs, following a greater emphasis on assisting debtors through more debt restructuring. However, this action did not increase its stage 2 loans as expected; the ratio was relatively stable at 3.0% in 2QFY24. Unluckily for the company, a reduction in credit costs to 8.70% (including THB100-200m management overlay expected for flooding impact) vs 9.15% in 1QFY24 (200m management overlay for the expected credit card minimum payment rise to 10%) lowered its coverage ratio to 159% from 168% in 1QFY24.

### Lower FY24-26 profit forecast following lower loan growth

We have trimmed our FY24-26E net profit by 5.6-8.7%, leading to growth at 2.5% CAGR to reflect the expected lower loan growth and higher credit costs. Despite our assumed higher spread and non-NII growth in FY24, it is not enough to offset the adverse effects, with net profit projected to contract by 9.1% y-y. However, we expect the FY25-26 net profit to recover by 8.8% y-y and 9.0% y-y, respectively, on a loan growth recovery and lower credit costs.

### Reiterate our HOLD call; FY24 TP cut to THB142

We reiterate our HOLD call but lower our FY24 GGM-TP to THB142 (from THB145), implying a P/BV of 1.35x (from 1.38x) under the expected L-T ROE of 12.5% (from 12.7%) and COE of 10%.

## AEONTS TB

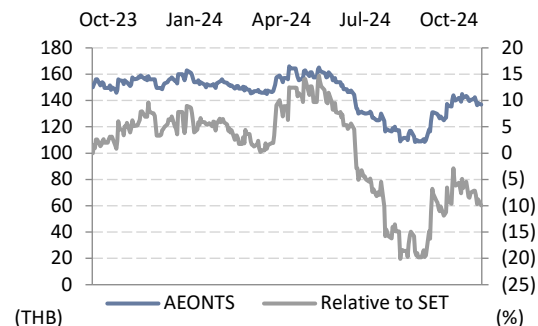
# HOLD

UNCHANGED

TARGET PRICE	THB142.00
CLOSE	THB137.00
UP/DOWNSIDE	+3.6%
PRIOR TP	THB145.00
CHANGE IN TP	-2.1%
TP vs CONSENSUS	-5.8%

### KEY STOCK DATA

YE Feb (THB m)	2023	2024E	2025E	2026E
Operating profit	4,161	3,796	4,128	4,496
Net profit	3,259	2,962	3,224	3,514
EPS (THB)	13.04	11.85	12.89	14.06
vs Consensus (%)	-	(0.5)	3.5	(0.3)
Recurring net profit	3,259	2,962	3,224	3,514
Core EPS (THB)	13.04	11.85	12.89	14.06
Chg. In EPS est. (%)	-	(8.7)	(6.3)	(5.6)
EPS growth (%)	(14.6)	(9.1)	8.8	9.0
Core P/E (x)	10.5	11.6	10.6	9.7
Dividend yield (%)	4.0	3.6	4.0	4.3
Price/book (x)	1.4	1.3	1.2	1.1
ROE (%)	13.8	11.7	11.9	12.1
ROA (%)	3.6	3.3	3.5	3.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.7	5.4	(9.9)
Relative to country (%)	(1.0)	(4.8)	(10.7)
Mkt cap (USD m)	1,024		
3m avg. daily turnover (USD m)	1.5		
Free float (%)	41		
Major shareholder	AEON Financial Service Co Ltd (32%)		
12m high/low (THB)	168.50/107.00		
Issued shares (m)	250		

Sources: Bloomberg consensus; FSSIA estimates



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

## Investment thesis

We maintain our HOLD call at the current price for the following reasons:

- The credit card and personal loan segments continue to face challenges in 1HFY24, especially in credit card asset quality, with the minimum payment requirement increasing from 5% to 8%.
- However, we expect a more positive outlook for 2HFY24, as the upcoming economic stimulus should support better debt collection and boost credit card spending.
- The current share price already reflects the positive impact of postponing the minimum payment increase to 10%, which should reduce credit costs in FY25-26.

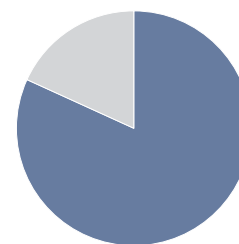
## Company profile

AEONTS's main business activity is providing a variety of retail finance services, including credit cards, personal loans, hire purchase, a life-insurance broker business, non-life insurance broker business, debt collection and others. As of 28 Feb 2023, AEONTS had a total of 104 branches, of which 31 branches are in Bangkok and the vicinity while the remaining are distributed nationwide. As of 31 Aug 2023, the company had 3.33m ready-to-use credit cards and 6.61m membership cards for personal loans.

[www.aeon.co.th](http://www.aeon.co.th)

## Principal activities (revenue, 1HFY24)

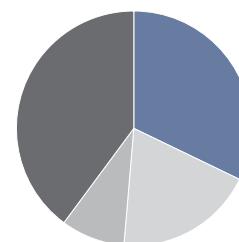
- Net interest income - 81.8 %
- Non-interest income - 18.2 %



Source: Aeon Thana Sinsap (Thailand)

## Major shareholders

- AEON Financial Service Co Ltd - 32.2 %
- ACS Capital Corp Co Ltd - 19.2 %
- Aeon Holding Thailand Co Ltd - 8.8 %
- Others - 39.9 %



Source: Aeon Thana Sinsap (Thailand)

## Catalysts

- 1) Better-than-expected loan growth.
- 2) Better-than-expected spread.
- 3) Lower-than-expected NPLs and credit cost.
- 4) Lower-than-expected operating expenses.

## Risks to our call

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.

## Event calendar

Date	Event
Jan 2025	3QFY24 results announcement

## Key assumptions

	2024E	2025E	2026E
Loan growth	1.25%	3.57%	6.34%
Interest spread	17.06	16.78	16.70
Net fee income growth	3.00%	3.00%	3.00%
Cost to income	38.23%	38.27%	38.29%
Credit cost (bp)	866	825	784
NPL ratio	5.80%	5.50%	5.50%
ROE	11.70%	11.89%	12.10%
ROA	3.21%	3.45%	3.58%

Source: FSSIA estimates

## Earnings sensitivity

			FY2024	
Loan growth	±2ppt	(0.75)	1.25	3.25
% change in net profit		(2.6)		2.6
Spread (%)	±10bp	16.96	17.06	17.16
% change in net profit		(1.7)		1.7
Credit cost (bp)	±10bp	850	860	870
% change in net profit		2.5		(2.5)

Source: FSSIA estimates

## Exhibit 1: AEONTS – 2QFY24 operations summary

AEONTS	2QFY23 (THB m)	3QFY23 (THB m)	4QFY23 (THB m)	1QFY24 (THB m)	2QFY24 (THB m)	---- Change ---- (q-q%) (y-y%)		1HFY24 (THB m)	Change (y-y%)	% of FY24E	FY24E (THB m)	Change (y-y%)
Interest income	4,770	4,650	4,622	4,657	4,684	0.6	(1.8)	9,420	(0.8)	50	18,904	0.7
Interest expense	574	511	550	558	558	(0.1)	(2.8)	1,085	(1.4)	50	2,182	0.9
Net interest income	4,196	4,139	4,072	4,098	4,126	0.7	(1.7)	8,334	(0.7)	50	16,722	0.7
Non-interest income	907	755	793	851	1,030	21.1	13.6	1,662	1.3	45	3,657	14.7
Operating income	5,102	4,894	4,866	4,949	5,156	4.2	1.1	9,996	(0.4)	49	20,378	3.0
Operating expenses	2,071	2,114	2,183	2,188	2,132	(2.6)	2.9	4,185	2.0	49	8,625	2.8
PPOP	3,031	2,780	2,682	2,760	3,024	9.6	(0.2)	5,811	(2.0)	49	11,753	3.1
Expected credit loss	1,949	1,899	1,298	2,089	1,986	(4.9)	1.9	3,848	(4.8)	48	7,949	9.8
Profit before tax	1,082	881	1,394	672	1,039	54.7	(4.0)	1,963	4.0	52	3,796	(8.8)
Income tax expense	218	171	273	132	207	56.6	(5.1)	389	2.6	52	751	(8.8)
<b>Net profit</b>	<b>842</b>	<b>706</b>	<b>1,093</b>	<b>524</b>	<b>822</b>	<b>56.8</b>	<b>(2.4)</b>	<b>1,548</b>	<b>6.1</b>	<b>52</b>	<b>2,962</b>	<b>(9.1)</b>
EPS (THB)	3.37	2.82	4.37	2.10	3.29	56.8	(2.4)	6.19	6.1	52	11.85	(9.1)
<b>Key balance sheet highlights</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(q-q%)</b>	<b>(y-y%)</b>	<b>(THB m)</b>	<b>(y-y%)</b>		<b>(THB m)</b>	<b>(y-y%)</b>
Loan - gross	93,886	93,814	91,231	91,382	91,320	(0.1)	(2.7)	91,320	(2.7)		92,368	1.2
Interest bearing debt	65,621	65,624	63,204	64,322	62,121	(3.4)	(5.3)	62,121	(5.3)		60,175	(4.8)
Leverage ratio	(x)	(x)	(x)	(x)	(x)			(x)			(x)	
IBD/E (x)	2.78	2.77	2.58	2.55	2.48			2.48			2.30	
D/E (x)	2.99	2.95	2.76	2.73	2.71			2.71			2.48	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
Gross NPLs (THB m)	5,810	5,854	4,534	4,931	5,296	7.4	(8.9)	5,296	(8.9)		5,361	18.2
NPL ratio	6.18	6.23	4.97	5.39	5.80			5.80			5.80	
Coverage ratio - LLR/ NPLs	174	162	183	168	159			159			154	
Credit cost	8.31	8.10	5.61	9.15	8.70			8.92			8.66	
LLR/TL	10.74	10.11	9.08	9.07	9.20			9.20			8.92	
<b>Profitability ratios</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>			<b>(%)</b>	
Cost-to-income ratio	36.46	39.11	40.21	39.70	37.31			38.49			38.23	
Yield on loans	20.34	19.82	19.98	20.40	20.51			20.17			20.59	
Cost of funds	3.52	3.12	3.41	3.50	3.53			3.50			3.54	
Spreads	16.82	16.70	16.57	16.90	16.98			16.68			17.06	
Net interest margin (NIM)	17.89	17.64	17.61	17.95	18.07			21.59			18.22	
ROE	14.34	11.93	18.16	8.44	13.07			12.06			11.70	
ROA	3.56	2.98	4.68	2.24	3.48			2.87			3.21	
<b>Loan growth</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>			<b>(%)</b>			<b>(%)</b>	
Loan growth q-q	0.2	(0.1)	(2.8)	0.2	(0.1)							
y-y	(0.0)	(1.3)	(2.8)	(2.5)	(2.7)			(2.7)			1.2	
YTD	0.0	(0.1)	(2.8)	0.2	(1.7)			(1.7)				

Sources: AEONTS; FSSIA estimates

## Exhibit 2: Quarterly loan growth, 1QFY22-2QFY24

	1QFY22 (THBm)	2QFY22 (THBm)	3QFY22 (THBm)	4QFY22 (THBm)	1QFY23 (THBm)	2QFY23 (THBm)	3QFY23 (THBm)	4QFY23E (THBm)	1QFY24 (THBm)	2QFY24 (THBm)
Hire purchase receivables	5,641	5,495	5,645	5,511	5,712	6,009	6,343	6,647	7,567	8,217
%q-q	-4.3%	-2.6%	2.7%	-2.4%	3.6%	5.2%	5.6%	4.8%	13.8%	8.6%
%y-y	-8.0%	-7.6%	-6.9%	-6.5%	1.3%	9.4%	12.4%	20.6%	32.5%	36.7%
%YTD	-4.3%	-6.7%	-4.2%	-6.5%	3.6%	9.0%	15.1%	20.6%	37.3%	49.1%
Personal loans	46,194	46,218	45,982	44,878	44,361	43,999	43,975	43,421	43,639	43,679
%q-q	1.1%	0.1%	-0.5%	-2.4%	-1.2%	-0.8%	-0.1%	-1.3%	0.5%	0.1%
%y-y	3.0%	2.8%	0.8%	-1.8%	-4.0%	-4.8%	-4.4%	-3.2%	-1.6%	-0.7%
%YTD	1.1%	1.1%	0.6%	-1.8%	-1.2%	-2.0%	-2.0%	-3.2%	-2.8%	-2.7%
Credit card receivables	40,807	42,181	43,399	43,474	43,649	43,879	43,496	41,162	40,177	39,424
%q-q	3.8%	3.4%	2.9%	0.2%	0.4%	0.5%	-0.9%	-5.4%	-2.4%	-1.9%
%y-y	14.7%	16.9%	14.9%	10.6%	7.0%	4.0%	0.2%	-5.3%	-8.0%	-10.2%
%YTD	3.8%	7.3%	10.4%	10.6%	0.4%	0.9%	0.0%	-5.3%	-7.6%	-9.3%
Total loans	92,641	93,894	95,026	93,864	93,721	93,886	93,814	91,231	91,382	91,320
%q-q	1.9%	1.4%	1.2%	-1.2%	-0.2%	0.2%	-0.1%	-2.8%	0.2%	-0.1%
%y-y	7.0%	7.9%	6.2%	3.2%	1.2%	0.0%	-1.3%	-2.8%	-2.5%	-2.7%
%YTD	1.9%	3.3%	4.5%	3.2%	-0.2%	0.0%	-0.1%	-2.8%	-2.6%	-2.7%

Sources: AEONTS; FSSIA's compilation

## Exhibit 3: AEONTS – Staged loans and ECL

	FY2021 (THB m)	FY2022 (THB m)	FY2023 (THB m)	1QFY24 (THB m)	2QFY24 (THB m)	FY2021 (%)	FY2022 (%)	FY2023 (%)	1QFY24 (%)	2QFY24 (%)
Loans and accrued interest						% Staged loans				
Stage 1	82,899	85,032	83,792	83,726	83,348	91.1	90.5	91.8	91.6	91.2
Stage 2	3,702	3,565	2,979	2,796	2,745	4.1	3.8	3.3	3.1	3.0
Stage 3	4,427	5,340	4,534	4,931	5,296	4.9	5.7	5.0	5.4	5.8
Total	91,028	93,937	91,305	91,453	91,388	100.0	100.0	100.0	100.0	100.0
Expect credit loss (ECL)						% ECL to staged loans				
Stage 1	5,564	4,398	3,748	3,532	3,425	6.7	5.2	4.5	4.2	4.1
Stage 2	1,917	1,658	1,301	1,248	1,136	51.8	46.5	43.7	44.6	41.4
Stage 3	3,470	4,069	3,239	3,509	3,841	78.4	76.2	71.4	71.2	72.5
Total	10,951	10,125	8,288	8,289	8,402	12.0	10.8	9.1	9.1	9.2
LLR / Loans	(%)	(%)	(%)	(%)	(%)					
Stage 1	6.71	5.17	4.47	4.22	4.11					
Stage 2	51.80	46.51	43.67	44.63	41.38					
Stage 3	78.38	76.20	71.43	71.17	72.53					
Total	12.03	10.78	9.08	9.06	9.19					
NPL / TL	4.86	5.69	4.97	5.39	5.79					
LLR / NPL	247	190	183	168	159					
NPLs + stage 2 loans/ total loans	8.93	9.48	8.23	8.45	8.80					
LLR/(NPLs + stage 2 loans)	135	114	110	107	104					

Sources: AEONTS; FSSIA's compilation

## Exhibit 4: FY2024-26 earnings revisions

	Current			Previous			Change		
	2024E (%)	2025E (%)	2026E (%)	2024E (%)	2025E (%)	2026E (%)	2024E (%)	2025E (%)	2026E (%)
Net profit (THB m)	2,962	3,224	3,514	3,245	3,440	3,721	(8.7)	(6.3)	(5.6)
EPS (THB)	11.85	12.89	14.06	12.98	13.76	14.88	(8.7)	(6.3)	(5.6)
Target price (THB)	142			145			(2.1)		
FY2024 P/BV (x)	1.35			1.38					
Net profit growth (%)	(9.1)	8.8	9.0	(0.4)	6.0	8.2			
Spread (%)	17.06	16.78	16.70	16.66	16.76	16.74			
Loan growth (%)	1.2	3.6	6.3	7.0	8.8	8.9			
NII growth (%)	0.7	1.3	4.7	0.7	8.8	8.8			
Insurance brokerage income (%)	3.0	3.0	3.0	3.0	3.0	3.0			
Non-NII growth (%)	14.7	(0.4)	(4.5)	(0.5)	1.1	1.1			
Credit cost (bp)	866	825	784	750	750	740			
Cost to income (%)	38.2	38.3	38.3	38.3	38.2	38.2			
NPL ratio	5.80	5.50	5.50	5.20	5.50	5.50			

Source: FSSIA estimates

## Exhibit 5: GGM-based FY2024 TP

Gordon Growth Model	New	Previous
Sustainable ROE	12.5%	12.7%
g	3.0%	3.0%
ROE-g	9.5%	9.7%
Beta	1.17	1.0
Risk free rate	3.0%	3.0%
Risk premium	6.0%	6.0%
COE	10.0%	10.0%
COE-g	7.0%	6.0%
ROE-g/COE-g	1.35	1.38

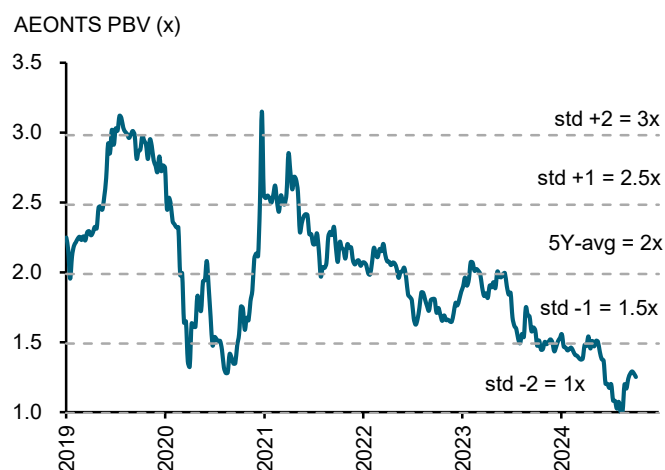
Source: FSSIA estimates

## Exhibit 6: Share price performance of non-banks under coverage, as of 7 October 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	(6.3)	(3.8)	(15.4)	(9.1)	(18.4)
MTC TB	2.6	13.1	9.3	42.1	10.6
SAWAD TB	3.7	15.1	8.1	8.7	14.1
SAK TB	(12.4)	(6.4)	(3.6)	8.6	15.9
AEONTS TB	0.7	10.0	(12.7)	(9.9)	(14.4)
KTC TB	8.4	25.3	6.6	7.8	10.9
ASK TB	(11.5)	(4.4)	(23.4)	(38.8)	(34.2)
THANI TB	(1.9)	(3.6)	(5.4)	(20.1)	(10.3)
JMT TB	(1.7)	29.1	(19.9)	(62.6)	(32.2)
BAM TB	3.4	22.7	(6.6)	(8.9)	12.9
CHAYO TB	(6.9)	6.8	(16.0)	(42.0)	(30.6)
SETFIN	1.2	11.6	(4.9)	(11.0)	(6.6)
SET	1.7	9.8	5.6	1.0	2.6

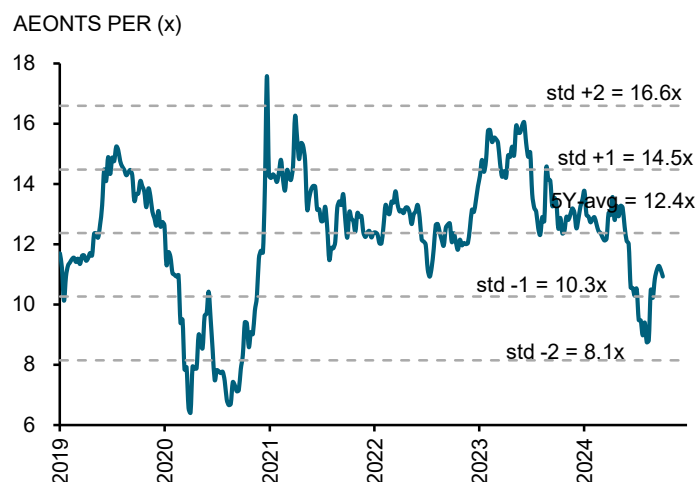
Source: Bloomberg

## Exhibit 7: AEONTS – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

## Exhibit 8: AEONTS – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

## Exhibit 9: Peers comparison as of 7 October 2024

Company name	BBG	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	----- PE -----		----- PBV -----		----- ROE -----		----- Div yld -----	
	code					24E (x)	25E (x)	24E (x)	25E (x)	24E (%)	25E (%)	24E (x)	25E (x)
Auto title													
Muangthai Capital	MTC TB	BUY	49.75	62.00	24.6	16.8	13.0	2.8	2.3	18.1	19.7	0.5	0.7
Srisawad Corp	SAWAD TB	HOLD	42.00	37.00	(11.9)	12.1	10.9	1.9	1.6	17.0	16.2	0.3	0.9
Ngern Tid Lor	TIDLOR TB	HOLD	17.70	15.80	(10.7)	11.7	10.1	1.6	1.4	14.5	15.1	2.6	3.0
Saksiam Leasing	SAK TB	BUY	4.82	5.28	9.6	12.2	10.6	1.6	1.5	13.7	14.4	3.4	3.9
Unsecured finance													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	137.00	142.00	3.6	11.6	10.6	1.3	1.2	11.7	11.9	3.6	4.0
Krungthai Card	KTC TB	HOLD	48.25	40.00	(17.1)	16.2	15.6	3.1	2.8	20.3	19.0	2.8	2.9
Hire-purchase truck													
Asia Sermkij Leasing	ASK TB	HOLD	13.10	9.60	(26.7)	15.6	12.3	0.7	0.6	4.2	5.3	3.2	4.1
Ratchthani Leasing	THANI TB	HOLD	2.12	1.88	(11.3)	11.5	10.6	1.0	0.9	8.5	8.9	4.8	5.2
AMCs													
Bangkok Commercial Asset Mgmt.	BAM TB	BUY	9.20	11.00	19.6	16.3	15.1	0.7	0.7	4.1	4.4	4.9	5.3
JMT Network services	JMT TB	HOLD	17.30	11.00	(36.4)	15.4	12.8	0.9	0.9	6.1	7.2	3.9	4.7
Chayo Group	CHAYO TB	HOLD	3.78	3.00	(20.6)	14.8	9.5	1.1	1.0	8.1	11.1	1.7	1.6
Average						14.0	11.9	1.5	1.4	11.5	12.1	2.9	3.3

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

Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Aeon Thana Sinsap (Thailand)

Profit and Loss (THB m) Year Ending Feb	2022	2023	2024E	2025E	2026E
Interest Income	19,055	18,767	18,904	19,070	19,939
Interest expense	(1,904)	(2,162)	(2,182)	(2,130)	(2,211)
Net interest income	17,151	16,605	16,722	16,939	17,728
Net fees & commission	3,015	2,880	3,345	3,326	3,159
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	261	318	312	315	318
Non interest income	3,277	3,198	3,657	3,641	3,477
Total income	20,428	19,803	20,378	20,581	21,205
Staff costs	(7,962)	(8,211)	(8,433)	(8,489)	(8,753)
Other operating costs	(253)	(191)	(200)	(210)	(220)
Operating costs	(8,215)	(8,402)	(8,633)	(8,699)	(8,973)
Pre provision operating profit	12,213	11,402	11,745	11,881	12,232
Expected credit loss	(7,263)	(7,240)	(7,949)	(7,754)	(7,736)
Other provisions	-	-	-	-	-
Operating profit	4,950	4,161	3,796	4,128	4,496
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	4,950	4,161	3,796	4,128	4,496
Tax	(996)	(824)	(751)	(817)	(890)
Profit after tax	3,954	3,338	3,045	3,311	3,606
Non-controlling interest	(139)	(79)	(83)	(87)	(92)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,815	3,259	2,962	3,224	3,514
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	3,815	3,259	2,962	3,224	3,514
<b>Per share (THB)</b>					
Recurring EPS *	15.26	13.04	11.85	12.89	14.06
Reported EPS	15.26	13.04	11.85	12.89	14.06
DPS	5.50	5.50	5.00	5.44	5.93
<b>Growth</b>					
Net interest income (%)	6.1	(3.2)	0.7	1.3	4.7
Non interest income (%)	13.4	(2.4)	14.3	(0.4)	(4.5)
Pre provision operating profit (%)	9.0	(6.6)	3.0	1.2	2.9
Operating profit (%)	8.2	(15.9)	(8.8)	8.7	8.9
Reported net profit (%)	7.4	(14.6)	(9.1)	8.8	9.0
Recurring EPS (%)	7.4	(14.6)	(9.1)	8.8	9.0
Reported EPS (%)	7.4	(14.6)	(9.1)	8.8	9.0
<b>Income Breakdown</b>					
Net interest income (%)	84.0	83.9	82.1	82.3	83.6
Net fees & commission (%)	14.8	14.5	16.4	16.2	14.9
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	1.3	1.6	1.5	1.5	1.5
<b>Operating performance</b>					
Gross interest yield (%)	22.02	21.38	21.59	21.21	21.12
Cost of funds (%)	2.86	3.32	3.54	3.50	3.50
Net interest spread (%)	19.16	18.06	18.05	17.71	17.62
Net interest margin (%)	19.8	18.9	19.1	18.8	18.8
Cost/income(%)	40.2	42.4	42.4	42.3	42.3
Cost/assets(%)	8.8	9.0	9.4	9.3	9.2
Effective tax rate (%)	20.1	19.8	19.8	19.8	19.8
Dividend payout on recurring profit (%)	36.0	42.2	42.2	42.2	42.2
ROE (%)	17.9	13.8	11.7	11.9	12.1
ROE - COE (%)	7.8	3.8	1.7	1.9	2.1
ROA (%)	4.3	3.6	3.3	3.5	3.7
RORWA (%)	-	-	-	-	-

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

Sources: Aeon Thana Sinsap (Thailand); FSSIA estimates

## Financial Statements

Aeon Thana Sinsap (Thailand)

Balance Sheet (THB m) Year Ending Feb	2022	2023	2024E	2025E	2026E
Gross customer loans	94,462	92,132	93,678	97,171	103,462
Allowance for expected credit loss	(10,125)	(8,288)	(8,242)	(8,216)	(8,720)
interest in suspense	(598)	(901)	(1,310)	(1,507)	(1,733)
<b>Net customer loans</b>	<b>83,739</b>	<b>82,943</b>	<b>84,126</b>	<b>87,449</b>	<b>93,009</b>
Bank loans	218	63	46	55	66
Government securities	0	0	0	0	0
Trading securities	-	-	-	-	-
Investment securities	-	-	-	-	-
Cash & equivalents	3,816	2,797	3,031	2,984	3,144
Other interesting assets	73	75	73	73	74
Tangible fixed assets	-	-	-	-	-
Associates	0	0	0	0	0
Goodwill	-	-	-	-	-
Other intangible assets	1,816	1,482	1,481	1,346	1,238
Other assets	3,054	2,820	2,997	3,199	3,429
<b>Total assets</b>	<b>95,207</b>	<b>92,499</b>	<b>91,755</b>	<b>95,107</b>	<b>100,961</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	67,057	63,204	60,175	61,391	64,921
Non interest bearing liabilities	4,718	4,230	4,761	4,968	5,189
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>71,859</b>	<b>67,437</b>	<b>64,936</b>	<b>66,359</b>	<b>70,111</b>
Share capital	-	-	-	-	-
Reserves	22,093	23,744	25,443	27,306	29,338
<b>Total equity</b>	<b>22,821</b>	<b>24,472</b>	<b>26,171</b>	<b>28,034</b>	<b>30,066</b>
Non-controlling interest	527	589	648	713	785
<b>Total liabilities &amp; equity</b>	<b>95,207</b>	<b>92,499</b>	<b>91,755</b>	<b>95,107</b>	<b>100,961</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	-	-	-	-	-
Average interest earning assets	86,535	87,758	87,549	89,896	94,394
Average interest bearing liabilities	66,592	65,131	61,690	60,783	63,156
CET 1 capital	-	-	-	-	-
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	5,340	4,534	5,361	5,265	5,598
<b>Per share (THB)</b>					
Book value per share	91.29	97.89	104.68	112.14	120.26
Tangible book value per share	-	-	-	-	-
<b>Growth</b>					
Gross customer loans	3.2	(2.5)	1.7	3.7	6.5
Average interest earning assets	4.7	1.4	(0.2)	2.7	5.0
Total asset (%)	5.2	(2.8)	(0.8)	3.7	6.2
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	24.0	26.5	28.5	29.5	29.8
Tangible equity/assets (%)	22.1	24.9	26.9	28.1	28.6
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	20.6	(15.1)	18.2	(1.8)	6.3
NPL/gross loans (%)	5.7	4.9	5.7	5.4	5.4
Allowance for ECL/gross loans (%)	10.7	9.0	8.8	8.5	8.4
Allowance for ECL/NPL (%)	189.6	182.8	153.7	156.0	155.8
<b>Valuation</b>					
Recurring P/E (x) *	9.0	10.5	11.6	10.6	9.7
Recurring P/E @ target price (x) *	9.3	10.9	12.0	11.0	10.1
Reported P/E (x)	9.0	10.5	11.6	10.6	9.7
Dividend yield (%)	4.0	4.0	3.6	4.0	4.3
Price/book (x)	1.5	1.4	1.3	1.2	1.1
Price/tangible book (x)	-	-	-	-	-
Price/tangible book @ target price (x)	-	-	-	-	-

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

Sources: Aeon Thana Sinsap (Thailand); FSSIA estimates

# AEON Thana Sinsap (Thailand) (AEONTS TB)

FSSIA ESG rating

★ ★

Exhibit 10: FSSIA ESG score implication

33.86 /100

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

Source: FSSIA estimates

Exhibit 11: ESG – peer comparison

	FSSIA	Domestic ratings							Global ratings				Bloomberg		
	ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
AEONTS	33.86	--	--	--	4.00	3.00	--	Medium	40.10	BBB	--	27.64	17.00	--	--
BAM	55.19	--	Y	Y	5.00	4.00	Certified	Medium	47.11	B	--	49.29	14.00	2.88	51.77
JMT	35.60	--	--	--	4.00	5.00	Declared	Medium	--	BBB	--	12.70	13.00	--	39.90
KTC	71.80	--	Y	Y	5.00	5.00	Certified	Low	57.22	A	--	64.48	59.00	4.96	57.09
SAWAD	46.52	--	Y	Y	4.00	5.00	--	Medium	43.97	BB	--	20.18	13.00	1.93	40.04

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 12: ESG disclosure from the company's one report

FY ending Feb 28		FY 2022	FY ending Feb 28		FY 2022
Environmental			Governance		
Climate change policy		--	Board size / Independent directors (ID) / Female		12 / 4 / 2
Climate change opportunities discussed		--	No. of board meetings for the year / % attendance		12 / 98.61%
GHG scope 2 location-based policy		Yes	Company conducts board evaluations		Yes
Biodiversity policy		--	Number of non-executive directors on board		2
Energy efficiency policy		Yes	Director share ownership guidelines		No
Electricity used		Yes	Board age limit		No
Fuel used - crude oil/diesel		--	Age of the youngest / oldest director		61 / 75
Waste reduction policy		Yes	Number of executives / female		11 / 3
Water policy		Yes	Executive share ownership guidelines		No
Water consumption		1,133.13	Size of audit committee / ID		3 / 3
Social			Audit committee meetings		10
Human rights policy		Yes	Audit committee meeting attendance (%)		100
Policy against child labor		--	Size of compensation committee		--
Quality assurance and recall policy		Yes	Number of compensation committee meetings		--
Consumer data protection policy		Yes	Compensation committee meeting attendance (%)		--
Equal opportunity policy		Yes	Size of nomination committee / ID		--
Gender pay gap breakout		--	Number of nomination committee meetings		--
Pct women in workforce		Yes	Nomination committee meeting attendance (%)		--
Business ethics policy		Yes	Board compensation (THB m)		24.21
Anti-bribery ethics policy		Yes	Auditor fee (THB m)		7.59
Health and safety policy		Yes	(Deloitte Touche Tohmatsu Jaiyos Audit Company Limited)		
Lost time incident rate - employees		--			
Training policy		Yes			
Fair remuneration policy		Yes			
Number of employees - CSR		--			
Total hours spent by firm - employee training		324			
Social supply chain management		--			

Source: FSSIA's compilation

## Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices ( <a href="#">DJSI</a> ) 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 ( <a href="#">THSI</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	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.																				
<a href="#">Thai CAC</a> 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.																				
<a href="#">Morningstar Sustainabilitys</a>	The Sustainabilitys' 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+																		
<a href="#">ESG Book</a>	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.																				
<a href="#">MSCI</a>	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><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">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></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></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><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</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></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
<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities																			
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<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																			
<a href="#">Moody's ESG solutions</a>	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.																					
<a href="#">Refinitiv ESG rating</a>	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>																					
<a href="#">S&amp;P Global</a>	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
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 137.00	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Muangthai Capital	MTC TB	THB 49.75	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.
Srisawad Corp	SAWAD TB	THB 42.00	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 17.70	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) 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.
Saksiam Leasing	SAK TB	THB 4.82	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.
Krungthai Card	KTC TB	THB 48.25	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Asia Sermkij Leasing PCL	ASK TB	THB 13.10	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) downtrend of policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
Ratchthani Leasing	THANI TB	THB 2.12	HOLD	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) a downtrend in the policy rate could reduce cost of funds and enhance interest spreads; and 3) a fasterthan-expected decline in ECL expense.
Bangkok Commercial Asset Mngt.	BAM TB	THB 9.20	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.
JMT Network Services	JMT TB	THB 17.30	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 includes 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense
Chayo Group	CHAYO TB	THB 3.78	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 7-Oct-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.