

CHAYO GROUP CHAYO TB

THAILAND / FINANCE & SECURITIES

BUY

FROM HOLD

Expect growth to resume in 3Q24

- We expect 3Q24 to deliver growth with the absence of extra ECL.
- We adjust our 2024-26E net profit by raising our cash collection estimate, which is partially offset by higher OPEX and ECL.
- With sufficient upside to our 2025 TP of THB4.00, we upgrade to BUY.

TARGET PRICE	THB4.00
CLOSE	THB3.56
UP/DOWNSIDE	+12.4%
PRIOR TP	THB3.00
CHANGE IN TP	+33.3%
TP vs CONSENSUS	+20.5%

Growth to show in 3Q24 without extra ECL

We expect CHAYO to deliver a 3Q24 net profit of THB84m, implying a growth rate of 9.7% q-q and 11.3% y-y. We expect revenue recognized from NPLs to grow 9.5% q-q and 40.4% y-y due to the influence of short-overdue NPLs acquired in the past four quarters. In unison, cash collection should rise to THB172m (+7.0% q-q, +62.2% y-y). However, in 3Q24, we expect CHAYO to have no significant NPA sales, with a gain from NPAs of just THB4m vs THB19m in 2Q24. We expect 3Q24 OPEX to rise to THB136m (+5.9% q-q, +29.1% y-y) along with the servicing cost of the expanding NPL portfolio. The 3Q24 cost-to-income ratio should be relatively stable q-q at 30.4%. For 4Q24, we expect CHAYO to receive tailwinds from the seasonal influence of cash collection. Moreover, the firm should realize gains from the sale of a medium-sized NPA worth cTHB20m, driving the net profit to the year's peak.

A challenging 2024 investment target

We expect 3Q24 investment in NPLs to be at THB105m, with the cost-to-OS of new loans higher at c10% vs c8% in 2Q24 due to a rising proportion of secured loans acquired at c20% compared to all unsecured loans in 2Q24. 9M24E investment totals THB281m (down 61.4% y-y). The figure remains short of management's target of THB1.0b for the year, as CHAYO now expects more supply to enter the market and, therefore, it has no need to rush acquisitions. We expect CHAYO's 2024 NPL purchases to be at THB425m.

Upward 2025-26 earnings revisions

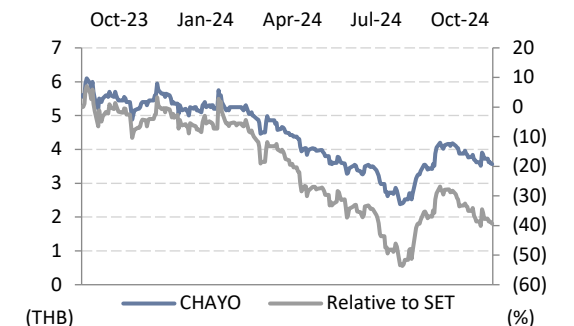
We revise up our forecasts for cash collection from NPLs to reflect its solid 1H24 performance from short-overdue unsecured NPLs acquired since 2H23. However, it is partially offset by higher estimates for OPEX and ECL. Moreover, given the slow pace, we cut our estimate for 2024-26 NPL acquisition to THB425m-500m from THB1.0b-1.1b. We also lower our CCAP 2024-26E loan growth to an average of 16% CAGR (from 35% CAGR). Our 2024E net profit is revised down by 3.2%, while 2025-26E is raised by 7.0%. We include a 25bp reduction in the cost of prospective debenture issues.

Upgrade to BUY with a 2025 TP of THB4.00

We upgrade CHAYO to BUY from Hold given the improved sentiment without pressures from extra ECL in 2H24, and expect 4Q24 net profit to accelerate from gains on NPAs. We have a 2025 GGM-TP of THB4.00, implying a P/BV of 0.99x with LT ROE now at 9.9% (from 9.6%) over a COE of 9.9%.

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	570	535	802	926
Net profit	391	281	480	564
EPS (THB)	0.34	0.25	0.42	0.50
vs Consensus (%)	-	(22.6)	1.2	14.4
Recurring net profit	391	281	480	564
Core EPS (THB)	0.34	0.25	0.42	0.50
Chg. In EPS est. (%)	-	(3.2)	6.6	7.0
EPS growth (%)	45.5	(28.1)	70.7	17.4
Core P/E (x)	10.4	14.4	8.4	7.2
Dividend yield (%)	-	1.9	1.8	2.1
Price/book (x)	1.2	1.1	0.9	0.8
ROE (%)	12.4	7.9	11.8	12.1
ROA (%)	5.4	4.4	6.1	6.7



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(11.9)	35.9	(39.1)
Relative to country (%)	(12.0)	19.9	(41.7)
Mkt cap (USD m)	120		
3m avg. daily turnover (USD m)	0.5		
Free float (%)	21		
Major shareholder	Yasasin Family (33%)		
12m high/low (THB)	6.25/2.30		
Issued shares (m)	1,137		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We upgrade our recommendation for CHAYO to BUY from Hold due to factors as follows:

- 1) We expect the firm's 2H24 performance to exhibit y-y growth over the absence of extra ECL seen throughout 1H24, while the revenue and cash collection from the NPL business has shown a meaningful improvement, largely from the contribution of short-overdue unsecured NPLs acquired since 2H23.
- 2) We expect CHAYO to book a gain on the sale of a medium-sized NPA worth cTHB20m in 4Q24, leading to a quarterly peak in net profit for the year.
- 3) Our 2025 GGM-based TP of THB4.00 implies a P/BV of 0.99x with an upside of 12% (assuming LT ROE 9.9%, COE 9.9%).

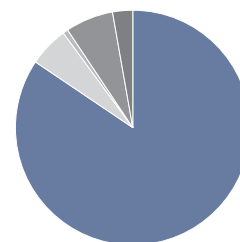
Company profile

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

www.chayo555.com

Principal activities (revenue, 1H24)

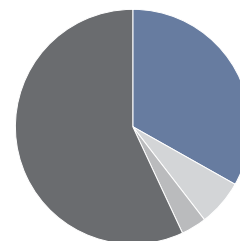
- NPLs management - 84.4 %
- NPAs management - 5.5 %
- Debt collection - 0.7 %
- Loan business - 6.6 %
- Other income - 2.8 %



Source: Chayo Group

Major shareholders

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



Source: Chayo Group

Catalysts

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

Risks to our call

Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.

Event calendar

Date	Event
14-15 Nov 2024	3Q24 results announcement

Key assumptions

	2024E	2025E	2026E
Net profit (THB m)	281	480	564
Net profit growth (%)	(28.06)	70.65	17.41
Cash collection	651	682	716
Cash collection growth (%)	48.27	4.78	5.03
Credit cost (bp)	914	773	777
Receivable investment	425	500	500
Cost to income	28.68	28.17	28.03

Source: FSSIA estimates

Earnings sensitivity

			2025E	
Cash collection ratio	±10bp	7.93	8.03	8.13
% change in net profit		(1.7)		1.7
Cost to income	±1ppt	27.17	28.17	29.17
% change in net profit		3.0		(3.0)

Source: FSSIA estimates

Growth to show in 3Q24 without extra ECL

We expect CHAYO to deliver a 3Q24 net profit of THB84m, implying a growth rate of 9.7% q-q and 11.3% y-y. We expect revenue recognized from NPLs to grow 9.5% q-q and 40.4% y-y due to the influence of short-overdue NPLs acquired in the past four quarters. In unison, cash collection should rise to THB172m (+7.0% q-q, +62.2% y-y). However, in 3Q24, we expect CHAYO to have no significant NPA sales, with a gain from NPAs amounting to just THB4m vs THB19m in 2Q24. We expect 3Q24 OPEX to rise to THB136m (+5.9% q-q, +29.1% y-y) along with the servicing cost of the expanding NPL portfolio. The 3Q24 cost-to-income ratio should be relatively stable q-q at 30.4%.

We expect the 3Q24 ECL to be at THB159m, stable q-q (primarily from the AMC business). However, disregarding the THB20m extra ECL in 2Q24, the amount in 3Q24 would actually increase q-q, as collections from new NPL portfolios remain slow at first, leading to lower repayments than the firm expects and a rise in ECL.

Regarding an update on CCAP (a corporate lending subsidiary; CHAYO owns 71%), we expect loans to grow marginally by 2.0% q-q, 21.7% y-y, as management has decided to remain cautious on growth with NPLs ratio plateauing at c40-50%. However, CCAP lends at an LTV of 40-50%. Therefore, there is no meaningful concern over ECL, but legal processes for foreclosure of collateral would be mundane, taking about 6-9 months and stalling the firm's liquidity positions.

For 4Q24, we expect CHAYO to receive tailwinds from the seasonal influence of cash collection. Moreover, the firm should realize gains from the sale of a medium-sized NPA worth cTHB20m, driving the net profit to the year's peak.

Exhibit 1: CHAYO – 3Q24 earnings preview

	3Q23 (THB m)	4Q23 (THB m)	1Q24 (THB m)	2Q24 (THB m)	3Q24E (THB m)	----- Change ----- (q-q %) (y-y %)	9M24E (THB m)	Change (y-y %)	% of 24E	2024E (THB m)	Change (y-y %)
Interest income											
Interest income from debt management	335	405	444	430	471	9.5 40.4	1,345	39.6	73	1,838	34.3
Interest income from loans	28	31	37	38	37	(2.7) 32.3	112	48.5	74	153	43.1
Total interest income	363	436	482	468	508	8.5 39.8	1,457	40.2	73	1,991	34.9
Interest expense	65	75	76	81	78	(3.4) 19.5	235	31.2	75	312	22.6
Net interest income	298	361	406	387	430	11.0 44.2	1,223	42.1	73	1,679	37.5
Non- interest income	26	71	22	33	16	(50.5) (36.7)	71	-4.0	63	114	(21.6)
Gain on disposal of NPAs	12	56	11	19	4	(76.5) (62.4)	35	7.0	53	65	(26.4)
Service income from debt collection services	9	6	7	7	8	15.4 (7.1)	22	-20.3	72	30	(9.8)
Recruitment service income (net)	3	3	2	3	3	(3.1) (5.5)	7	2.7	80	9	(5.7)
Other income	3	6	1	4	1	(68.6) (48.1)	7	1.6	82	9	(30.9)
Total operating income	324	432	428	420	446	6.1 37.8	1,294	38.4	72	1,793	31.2
Operating expenses	105	119	104	128	136	5.9 29.1	368	35.9	71	514	32.0
Pre-provision operating profit	219	313	324	292	310	6.2 41.9	926	39.5	72	1,279	30.9
Expected credit loss	107	133	265	158	159	0.6 48.6	582	112.4	78	744	82.8
Operating profit	112	180	59	134	151	12.9 35.6	345	(11.7)	64	535	(6.2)
Income tax expenses	25	39	16	29	30	5.9 23.0	75	(8.3)	70	107	(11.8)
Minority interest	11	21	39	29	37	28.2 221.9	105	184.6	72	147	154.2
Net profit	76	120	3	77	84	9.7 11.3	164	(39.5)	58	281	(28.1)
EPS (THB)	0.07	0.11	0.00	0.07	0.07	10.0 9.2	0.14	(41.5)	58	0.25	(28.1)
Key financial highlights											
Acquisition of loans to NPA	592	782	8	168	105	(37.4) (82.2)	281	(61.4)	66	425	(71.9)
Cash collection	106	137	147	160	172	7.0 62.2	479	58.5	74	651	48.3
Accumulated cash collection to investment (%)	40	37	40	41	43		37			45	
Key financial ratios											
D/E (x)	1.07	1.17	1.28	1.18	1.11		1.17			1.39	
IBD/E (x)	1.00	1.09	1.19	1.09	1.02		1.09			1.29	
ROAA (%)	3.54	5.34	0.13	3.16	3.52		2.43			2.89	
ROAE (%)	7.32	11.33	0.30	7.03	7.53		4.60			5.46	
Cost of funds (%)	6.32	6.81	6.18	6.51	6.64		7.08			6.53	
Cost to income (%)	32.46	27.60	24.28	30.48	30.42		28.41			28.68	
Credit cost (bp)	673	733	1339	766	782		1068			931	

Sources: CHAYO; FSSIA estimates

Exhibit 2: 2024-26E earnings revisions

	New			Previous			Change		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Net profit	281	480	564	291	451	527	(3.2)	7.0	7.0
Growth y-y (%)	(28.1)	70.7	17.4	(25.7)	55.1	17.0			
Additional investment	425	500	500	1,000	1,050	1,103	(57.5)	(52.4)	(54.6)
Cash collection	651	682	716	444	503	568	47.0	36.0	26.0
Cost of funds	6.53	6.59	6.47	6.52	6.54	6.55			
Cost-to-income	28.7	28.2	28.0	28.0	27.8	27.8			
ROAA (%)	2.89	4.58	5.11	2.88	3.89	3.98			
ROAE (%)	6.14	8.92	8.94	6.12	8.13	8.39			
D/E (x)	1.08	0.84	0.67	1.09	1.10	1.12			
IBD/E (x)	1.00	0.77	0.61	1.01	1.03	1.06			

Source: FSSIA estimates

Exhibit 3: CHAYO – 2025 GGM-based TP

Gordon Growth Model	New (%)	Previous (%)
LT-ROE	9.9	9.6
Terminal growth rate	8.0	8.0
Risk-free rate	3.0	3.0
Expected market return	8.0	8.0
Market risk premium	5.0	5.0
Beta	1.4	1.4
COE	9.9	9.9
PBV (x)	0.99	0.87

Sources: FSSIA estimates

Exhibit 4: Share price performance of non-banks under coverage, as of 28 October 2024

	Price performance				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	(4.9)	9.4	(16.7)	(6.0)	(19.8)
MTC TB	8.2	31.3	16.0	42.9	16.7
SAWAD TB	3.6	28.9	18.9	12.6	18.1
SAK TB	10.8	14.4	15.3	39.2	35.8
AEONTS TB	(0.7)	25.1	(13.6)	(7.0)	(12.8)
KTC TB	2.1	22.0	13.5	10.2	11.5
ASK TB	(8.1)	12.7	(26.2)	(39.5)	(37.7)
THANI TB	(2.8)	19.5	(13.3)	(18.9)	(12.0)
JMT TB	14.1	77.2	(5.6)	(35.4)	(20.8)
BAM TB	(3.7)	34.6	(9.4)	1.7	12.3
CHAYO TB	(10.3)	27.9	(22.7)	(37.9)	(36.1)
SETFIN	1.3	24.4	(0.6)	(2.6)	(4.6)
SET	0.4	11.3	7.0	4.8	2.8

Sources: Bloomberg

Exhibit 5: Peer comparisons, as of 25 October 2024

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE 24E (x)	25E (x)	PBV 24E (x)	25E (x)	ROE 24E (%)	25E (%)	Div yld 24E (x)	25E (x)
Auto title													
Muangthai Capital	MTC TB	BUY	53.50	62.00	15.9	18.0	13.9	3.0	2.5	18.1	19.7	0.5	0.7
Srisawad Corp	SAWAD TB	HOLD	43.75	37.00	(15.4)	12.7	11.3	2.0	1.7	17.0	16.2	0.2	0.9
Ngern Tid Lor	TIDLOR TB	HOLD	17.20	17.64	2.6	11.4	9.8	1.6	1.4	14.5	15.1	2.6	3.1
Saksiam Leasing	SAK TB	BUY	5.50	5.28	(4.0)	13.9	12.1	1.8	1.7	13.7	14.4	3.0	3.5
Unsecured finance													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	133.50	142.00	6.4	11.3	10.4	1.3	1.2	11.7	11.9	3.7	4.1
Krungthai Card	KTC TB	HOLD	48.75	44.00	(9.7)	16.8	15.8	3.2	2.8	19.8	18.9	2.7	2.8
Hire-purchase truck													
Asia Sermkij Leasing	ASK TB	HOLD	12.10	9.60	(20.7)	14.4	11.3	0.6	0.6	4.2	5.3	3.5	4.4
Ratchthani Leasing	THANI TB	HOLD	2.08	2.00	(3.8)	11.3	10.4	0.9	0.9	8.5	8.9	4.9	5.3
AMCs													
Bangkok Commercial Asset Mgmt.	BAM TB	BUY	9.00	11.00	22.2	16.0	14.8	0.7	0.7	4.1	4.4	5.0	5.4
JMT Network services	JMT TB	HOLD	19.80	11.00	(44.4)	17.6	14.6	1.1	1.0	6.1	7.2	3.4	4.1
Chayo Group	CHAYO TB	BUY	3.56	4.00	12.4	14.4	8.4	1.1	0.9	7.9	11.8	1.9	1.8
Average						14.3	12.1	1.6	1.4	11.4	12.2	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

Chayo Group

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	963	1,476	1,991	2,225	2,405
Interest expense	(160)	(254)	(312)	(311)	(280)
Net interest income	804	1,222	1,679	1,915	2,126
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	94	145	114	138	160
Non interest income	94	145	114	138	160
Total income	897	1,367	1,793	2,052	2,286
Staff costs	-	-	-	-	-
Other operating costs	(328)	(390)	(514)	(578)	(641)
Operating costs	(328)	(390)	(514)	(578)	(641)
Pre provision operating profit	569	977	1,279	1,474	1,645
Expected credit loss	(219)	(407)	(744)	(673)	(719)
Other provisions	-	-	-	-	-
Operating profit	350	570	535	802	926
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	350	570	535	802	926
Tax	(75)	(121)	(107)	(160)	(185)
Profit after tax	275	449	428	641	741
Non-controlling interest	(23)	(58)	(147)	(161)	(177)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	252	391	281	480	564
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	252	391	281	480	564
Per share (THB)					
Recurring EPS *	0.24	0.34	0.25	0.42	0.50
Reported EPS	0.24	0.34	0.25	0.42	0.50
DPS	0.04	0.00	0.07	0.06	0.07
Growth					
Net interest income (%)	48.1	52.0	37.5	14.0	11.0
Non interest income (%)	(37.7)	55.0	(21.6)	20.8	16.5
Pre provision operating profit (%)	22.0	71.6	30.9	15.3	11.6
Operating profit (%)	21.3	62.7	(6.2)	49.8	15.6
Reported net profit (%)	5.0	55.2	(28.1)	70.7	17.4
Recurring EPS (%)	(5.3)	45.5	(28.1)	70.7	17.4
Reported EPS (%)	(5.3)	45.5	(28.1)	70.7	17.4
Income Breakdown					
Net interest income (%)	89.6	89.4	93.6	93.3	93.0
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	10.4	10.6	6.4	6.7	7.0
Operating performance					
Gross interest yield (%)	-	-	-	-	-
Cost of funds (%)	6.96	6.52	6.53	6.59	6.47
Net interest spread (%)	(6.96)	(6.52)	(6.53)	(6.59)	(6.47)
Net interest margin (%)	-	-	-	-	-
Cost/income(%)	36.5	28.5	28.7	28.2	28.0
Cost/assets(%)	5.3	4.7	5.3	5.5	5.8
Effective tax rate (%)	21.4	21.3	20.0	20.0	20.0
Dividend payout on recurring profit (%)	16.7	-	26.7	15.0	15.0
ROE (%)	9.1	12.4	7.9	11.8	12.1
ROE - COE (%)	(0.8)	2.5	(2.0)	1.9	2.2
ROA (%)	4.5	5.4	4.4	6.1	6.7
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Chayo Group; FSSIA estimates

Financial Statements

Chayo Group

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	4,264	5,640	5,882	6,191	6,489
Allowance for expected credit loss	(485)	(878)	(1,609)	(2,266)	(2,969)
interest in suspense	1,149	2,127	2,336	2,582	2,837
Net customer loans	4,928	6,889	6,609	6,507	6,357
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,021	623	1,391	1,749	1,665
Other interesting assets	24	39	41	43	45
Tangible fixed assets	78	70	73	77	80
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	1,152	1,704	2,021	2,462	3,103
Total assets	7,203	9,331	10,135	10,838	11,250
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	3,122	4,669	4,880	4,544	4,104
Non interest bearing liabilities	231	367	384	403	422
Hybrid Capital	-	-	-	-	-
Total liabilities	3,353	5,036	5,265	4,947	4,526
Share capital	533	569	569	569	569
Reserves	2,424	2,778	3,206	3,775	4,432
Total equity	2,958	3,347	3,775	4,344	5,000
Non-controlling interest	893	949	1,095	1,256	1,434
Total liabilities & equity	7,203	9,331	10,135	10,838	11,250
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	n/a	n/a	n/a	n/a	n/a
Average interest bearing liabilities	2,298	3,896	4,775	4,712	4,324
CET 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	n/a	n/a	n/a	n/a	n/a
Per share (THB)					
Book value per share	2.77	2.94	3.32	3.82	4.40
Tangible book value per share	2.77	2.94	3.32	3.82	4.40
Growth					
Gross customer loans	65.9	32.3	4.3	5.3	4.8
Average interest earning assets	-	-	-	-	-
Total asset (%)	41.5	29.5	8.6	6.9	3.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	41.1	35.9	37.2	40.1	44.4
Tangible equity/assets (%)	41.1	35.9	37.2	40.1	44.4
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Allowance for ECL/gross loans (%)	11.4	15.6	27.4	36.6	45.8
Allowance for ECL/NPL (%)	-	-	-	-	-
Valuation					
Recurring P/E (x) *	15.1	10.4	14.4	8.4	7.2
Recurring P/E @ target price (x) *	16.9	11.6	16.2	9.5	8.1
Reported P/E (x)	15.1	10.4	14.4	8.4	7.2
Dividend yield (%)	1.1	-	1.9	1.8	2.1
Price/book (x)	1.3	1.2	1.1	0.9	0.8
Price/tangible book (x)	1.3	1.2	1.1	0.9	0.8
Price/tangible book @ target price (x)	1.4	1.4	1.2	1.0	0.9

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Chayo Group; FSSIA estimates

Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																												
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
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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>Leader:</td><td>leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td><td></td><td></td></tr><tr><td>A</td><td>5.714-7.142</td><td></td><td></td></tr><tr><td>BBB</td><td>4.286-5.713</td><td>Average:</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>BB</td><td>2.857-4.285</td><td></td><td></td></tr><tr><td>B</td><td>1.429-2.856</td><td></td><td></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; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																													
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

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

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

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

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

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Company	Ticker	Price	Rating	Valuation & Risks
Chayo Group	CHAYO TB	THB 3.56	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
Muangthai Capital	MTC TB	THB 53.50	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.
Ngern Tid Lor	TIDLOR TB	THB 17.20	HOLD	Downside risks to our GGM-based TP include 1) further weakening asset quality could potentially hit both loan yields and credit costs; 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 more favorable economic situations.
Krungthai Card	KTC TB	THB 48.75	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.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 133.50	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.
Srisawad Corp	SAWAD TB	THB 43.75	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.
Saksiam Leasing	SAK TB	THB 5.50	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.
Asia Sermkij Leasing PCL	ASK TB	THB 12.10	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 2.08	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 9.00	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 19.80	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.

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 25-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.