

HOLD

UNCHANGED

คาดปัจจัยกดดันต่อ ROE

- เรามีความมั่นใจเกี่ยวกับการปรับปรุงคุณภาพสินทรัพย์ให้ดีขึ้นของ SAWAD
- อย่างไรก็ตามเราคาดว่าสินเชื่อจะโตช้าในขณะที่ส่วนต่างดอกเบี้ยที่ลดลงและหุ้นปันผลอาจกดดัน ROE ของ SAWAD ให้ลดลงเหลือ 15% ในปี 2026
- คงคำแนะนำถือที่ราคาเป้าหมายปี 2025 ใหม่ที่ 45.50 บาท

คุณภาพสินทรัพย์กำลังปรับตัวดีขึ้นแต่หน้าจะยังกดดัน ROE ให้ลดลงเหลือ 15%

ในภาพรวมเรามีมุมมองเป็นกลางเกี่ยวกับปัจจัยพื้นฐานของ SAWAD ในช่วงปี 2024-26 แม้ว่าคุณภาพสินทรัพย์ส่งสัญญาณปรับตัวดีขึ้นหลังการล้างหนี้ด้วยคุณภาพเป็นจำนวนมากมาตั้งแต่ไตรมาส 2Q23 เราคาดว่าสินเชื่อจะโตช้าลง (จากสัดส่วนสินเชื่อต่อมูลค่าสินทรัพย์ที่ต่ำเพียง 40%) และผลตอบแทนสินเชื่อที่ลดลงจะสร้างแรงกดดันให้แก่บริษัท นอกจากนี้ SAWAD ยังวางแผนจ่ายหุ้นปันผลในปี 2024-26 แทนการปันผลเป็นเงินสด จากสินเชื่อที่โตช้า (7.8% CAGR ในช่วงปี 2024-26E) ส่วนต่างดอกเบี้ยที่ลดลงและการจ่ายหุ้นปันผล เราคาดว่าผลตอบแทนต่อส่วนผู้ถือหุ้น (ROE) จะลดลงจาก 18.6% ในปี 2023 เป็น 16.6% ในปี 2024 และ 15% ในปี 2026

ความกังวลเกี่ยวกับคุณภาพสินทรัพย์ลดลง

หลังการตัดจำหน่ายหนี้ด้วยคุณภาพเชิงรุกและการยึดคินยานยนต์ที่ก่อให้เกิดผลขาดทุนจำนวนมากมาตั้งแต่ไตรมาส 2Q23 เราเห็นสัญญาณที่ดีขึ้นในส่วนของคุณภาพสินทรัพย์ของ SAWAD หลังผลขาดทุนพุ่งขึ้นและระดับสูงสุดจากการยึดคินยานยนต์จำนวน 475-490 ลบ. ในไตรมาส 1Q-2Q24 ก่อนลดลงเหลือ 359 ลบ. ในไตรมาส 3Q24 ดังนั้นเราจึงคาดว่าบริษัท จะมีการในด้านคุณภาพสินทรัพย์และผลขาดทุนจากการยึดคินยานยนต์ลดลงในอนาคต ทั้งนี้เราคาดว่าสัดส่วนหนี้ด้วยคุณภาพอยู่ที่ 3.6% และ 3.75% ในปี 2024-25 ตามลำดับและต้นทุนความเสี่ยงในการปล่อยสินเชื่ออยู่ที่ 2.1-2.2%

คาดปัจจัยกดดันจากผลตอบแทนสินเชื่อที่ลดลง

สำหรับในช่วงปี 2024-26 เราคาดว่า การตั้งเป้าผลตอบแทนของ SAWAD จะคงเดิมจาก 1) การแข่งขันที่สูงขึ้นในตลาดสินเชื่อทะเบียนรถยนต์ที่มีสัดส่วนสินเชื่อต่อมูลค่าสินทรัพย์ต่ำซึ่งทำให้ SAWAD ไม่สามารถปรับผลตอบแทนสินเชื่อขึ้นได้และ 2) การครบกำหนดของสินเชื่อเช่าซื้อรถจักรยานยนต์ที่ให้ผลตอบแทนสูง จากช่องว่างในการปรับผลตอบแทนสินเชื่อสำหรับผู้ใหม่ที่จำกัด เราคาดว่าผลตอบแทนสินเชื่อเฉลี่ยของ SAWAD จะอยู่ที่ 18.6-18.7% ในปี 2024-26 เทียบกับประมาณ 20-21% ในปี 2019-23

คงคำแนะนำถือที่ราคาเป้าหมายปี 2025 ที่ 45.50 บาท

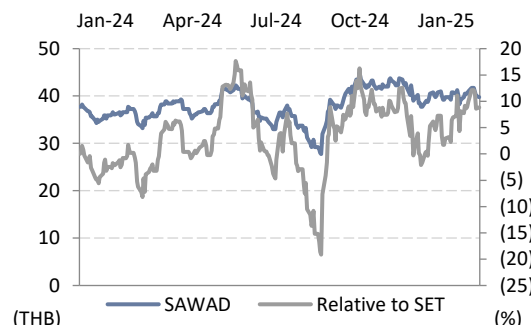
เราคงคำแนะนำถือสำหรับ SAWAD เราปรับลดประมาณการกำไรปี 2024-26 ของเราลงประมาณ 2-9% จากสมมติฐานผลตอบแทนสินเชื่อและส่วนต่างดอกเบี้ยที่ลดลงและต้นทุนความเสี่ยงในการปล่อยสินเชื่อที่สูงขึ้น หลังการปรับประมาณการเราได้ราคาเป้าหมายปี 2025 ใหม่ที่ 45.50 จาก 37 บาทก่อนหน้านี้ (GGM) และปรับใช้ราคาเป้าหมาย ณ สิ้นปี 2025 ราคาเป้าหมายใหม่ของเราที่ 45.50 บาทคิดเป็น 1.77x 2025E P/BV (COE 10.2%, ROE 15%)

บทวิเคราะห์ฉบับนี้จัดทำโดยคุณณฐพล พงษ์สุขเจริญกุลจากเดิมโดยคุณอนุชนีย์ ลิ่วรัตน์, CISA

TARGET PRICE	THB45.50
CLOSE	THB39.75
UP/DOWNSIDE	+14.5%
PRIOR TP	THB37.00
CHANGE IN TP	+23.0%
TP vs CONSENSUS	+6.4%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	6,603	6,742	7,334	8,117
Net profit	5,001	5,124	5,574	6,169
EPS (THB)	3.64	3.39	3.69	4.08
vs Consensus (%)	-	(1.8)	(2.2)	(4.8)
Recurring net profit	5,001	5,124	5,574	6,169
Core EPS (THB)	3.64	3.39	3.69	4.08
Chg. In EPS est. (%)	0.0	(1.9)	(4.4)	(9.1)
EPS growth (%)	11.7	(6.9)	8.8	10.7
Core P/E (x)	10.9	11.7	10.8	9.7
Dividend yield (%)	0.3	0.9	0.9	1.0
Price/book (x)	1.9	1.8	1.6	1.4
ROE (%)	18.6	16.6	15.5	14.9
ROA (%)	5.8	4.8	4.9	4.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	0.0	(4.2)	4.7
Relative to country (%)	5.8	0.8	9.0
Mkt cap (USD m)	1,734		
3m avg. daily turnover (USD m)	6.2		
Free float (%)	45		
Major shareholder	Kaewbootta Family (28%)		
12m high/low (THB)	45.50/27.25		
Issued shares (m)	1,510		

Sources: Bloomberg consensus; FSSIA estimates



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บทวิเคราะห์ฉบับนี้แปลมาจากต้นฉบับภาษาอังกฤษ ที่ออกรายงานเมื่อวันที่ 7 มกราคม 2025

Investment thesis

- We have a neutral view of SAWAD's outlook despite a gradual improvement in asset quality after the active balance sheet cleanup process in 1H24. This is because the cleanup process has resulted in muted loan growth in 2024E, which could be prolonged to 2025.
- In addition, we expect lower average loan yields for SAWAD in 2024-26. This is due to the maturity of the high-yield loan segment, especially motorcycle hire-purchase (HP), and high competition in the asset title loan (ATL) business.
- Slow loan growth, NIM contraction and stock dividend could pressure SAWAD's ROE down to 15% by 2026, in our view.
- We expect a 2024-26 net profit CAGR of 7.2% for SAWAD.

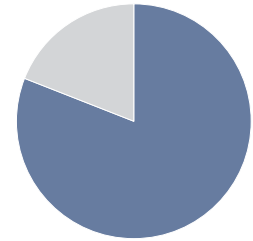
Company profile

SAWAD provides loan services to retail customers. Its business operations can be classified into four main categories: 1) auto title loans against all types of used vehicles, homes, and land; 2) unsecured personal loans; 3) motorcycle hire-purchase; and 4) asset management.

www.meebaanmeerod.com

Principal activities (revenue, 2023)

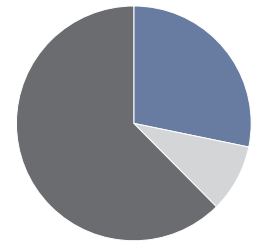
- Net interest income - 81.0 %
- Non-interest income - 19.0 %



Source: Srisawad Corp

Major shareholders

- Kaewbootta Family - 28.2 %
- Thai NVDR - 9.3 %
- Others - 62.4 %



Source: Srisawad Corp

Catalysts

- 1) Government stimulus acceleration to upcountry households;
- 2) Better-than-expected NIM and non-NII;
- 3) A stronger-than-expected improvement in asset quality and credit cost;
- 4) Growth potential from new business.

Risks to our call

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.

Event calendar

Date	Event
Feb 2025	2024 results announcement

Key assumptions

Key assumptions (%)	2024E	2025E	2026E
Loan growth	1.80	11.42	10.60
NIM	15.42	15.48	15.54
Cost-to-income ratio	51.78	51.03	50.44
Credit cost	2.10	2.18	2.33
NPL ratio	3.60	3.75	3.90
ROE	16.64	15.50	14.94

Source: FSSIA estimates

Earnings sensitivity

		2025E		
Loan growth (%)	±2ppt	9.42	11.42	13.42
% change in net profit		(1.6)		1.6
NIM (%)	±10bp	15.38	15.48	15.58
% change in net profit		(1.9)	-	1.9
Cost-to-income ratio (%)	±1ppt	50.03	51.03	52.03
% change in net profit		3.5	-	(3.5)
Credit cost (bp)	±10bp	208	218	228
% change in net profit		1.9	-	(1.9)

Source: FSSIA estimates

Expect headwinds on ROE

Improving balance sheet but pressure on ROE down to 15%

This note marks the transfer of SAWAD's coverage to Nathapol Pongsukcharoenkul from Usanee Liurut, CISA. We maintain our Hold rating for SAWAD with a new GGM-based 2025 TP of THB45.50.

Overall, we have a neutral view on SAWAD's fundamentals in 2024-26. Though SAWAD's asset quality has shown improving signs following the major balance sheet cleanup since 2Q23, we expect slower loan growth (from low loan-to-value or LTV at 40%) and pressure from lower loan yield generation.

We have cut our 2024-26 forecast by c2-9%, mainly on lower loan yield and NIM forecasts as well as a more conservative credit cost forecast. We expect SAWAD's average loan yield to be around 18.6-18.7% in 2024-26 vs c20-21% in 2019-23. The lower loan yield forecast, in our view, is mainly due to 1) higher competition in the auto title loan industry; and 2) the maturity of high-yield motorcycle hire-purchase (HP) loans with yields of more than 30% before the introduction of the ceiling interest rate for HP at 23% since January 2023 by the Office of the Consumer Protection Board (OCPB). Sensitivity-wise, an increase in NIM by 10bp would boost SAWAD's 2025E net profit by 1.9%, all else being equal.

Meanwhile, we expect SAWAD to record loan growth of 7.8% CAGR during 2024-26, mainly driven by asset title loans (land title, 4-wheeled autos like pickup trucks and motorcycles). On the other, we expect loan growth from the motorcycle HP business to be moderate. In addition, we expect SAWAD's loan growth to slow from 43% CAGR (2021-24E) because the current D/E ratio for SAWAD is at 2.3x, which is above the historical average of 1.8x. The excessive D/E from the historical level would affect SAWAD's credit rating of BBB+ by TRIS and its funding in the future.

To control its D/E ratio, SAWAD plans to apply a stock dividend option for 2024-26 instead of the cash dividend option in the past three years. With slow loan growth, NIM contraction and the stock dividend option, we expect ROE to reduce from 18.6% in 2023 to 16.6% in 2024 and 15% in 2026.

After the earnings revisions, we derive a new GGM-based 2025 TP of 45.50 (from THB37 previously) as we roll over our TP base to end-2025. Our new TP of THB45.50 implies 1.77x 2025E P/BV (COE of 10.2%, ROE of 15%).

Exhibit 1: 2024-26 earnings revisions

	----- Revised forecast -----			----- Previous forecast -----			----- Change -----		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)
Net interest income	15,113	16,178	18,026	15,735	17,440	20,232	-4.0%	-7.2%	-10.9%
Non-interest income	3,127	3,460	3,796	3,171	3,424	3,698	-1.4%	1.1%	2.7%
PPOP	8,796	9,616	10,815	8,886	9,806	11,247	-1.0%	-1.9%	-3.8%
Loan loss provisions	2,054	2,282	2,698	2,015	2,201	2,458	1.9%	3.7%	9.8%
Net profit	5,124	5,574	6,169	5,221	5,833	6,789	-1.9%	-4.4%	-9.1%
Key ratios							(ppt)	(ppt)	(ppt)
NIM (%)	15.42	15.48	15.54	15.60	15.90	16.50	(0.18)	(0.42)	(0.96)
Cost to income (%)	51.78	51.03	50.44	53.00	53.00	53.00	(1.22)	(1.97)	(2.56)
ROA (%)	4.54	4.65	4.65	4.70	4.90	5.00	(0.16)	(0.25)	(0.35)
ROE (%)	16.64	15.50	14.94	17.00	16.20	16.30	(0.36)	(0.70)	(1.36)
Credit cost (%)	2.10	2.18	2.33	2.00	2.00	2.00	0.10	0.18	0.33
Loan growth (%)	1.80	11.42	10.60	7.76	10.58	12.74	(5.96)	0.84	(2.14)
Net profit growth (%)	2.46	8.79	10.67	4.40	11.72	16.39	(1.94)	(2.93)	(5.72)

Source: FSSIA estimates

Exhibit 2: SAWAD – GGM-based 2025 TP

Gordon Growth Model (GGM)	
Risk free rate	3.00%
Risk premium	6.00%
Beta	1.20
Cost of Equity	10.20%
Sustainable ROE	15.00%
Cost of Equity	10.20%
Medium-term growth (g)	4.00%
Derived P/BV multiple (x)	1.77
2025E BVPS (THB)	25.48
Derived target price (THB)	45.50

Source: FSSIA estimates

Exhibit 3: Share price performance of non-banks under coverage; as of 30 December 2024

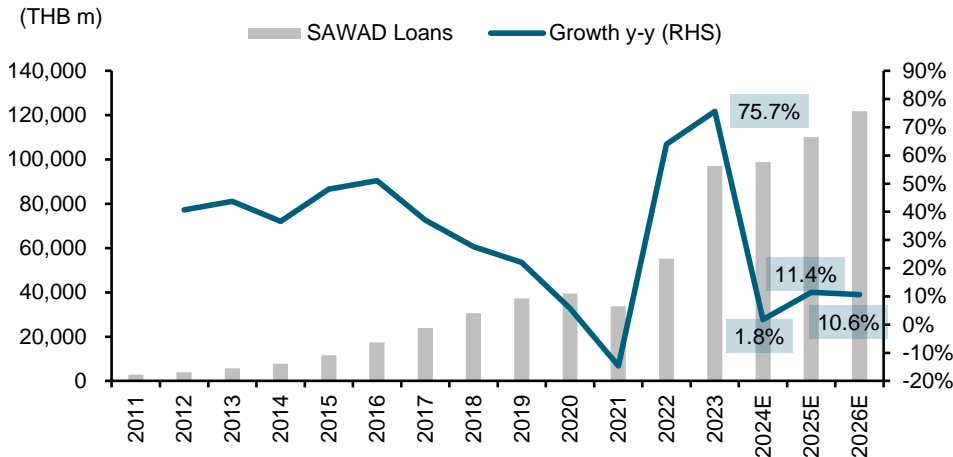
	Price performance			
	1M (%)	3M (%)	6M (%)	1Y (%)
SAWAD TB	1.8	(1.2)	26.5	10.7
MTC TB	(3.5)	(2.0)	11.6	4.3
TIDLOR TB	(4.5)	(6.1)	(6.1)	(23.7)
SAK TB	(6.9)	(3.2)	(6.9)	12.6
KTC TB	7.0	3.6	24.2	13.0
AEONTS TB	8.0	(8.6)	2.4	(18.7)
ASK TB	(4.6)	(23.7)	(22.6)	(49.0)
THANI TB	(6.4)	(25.9)	(28.6)	(34.3)
BAM TB	(10.3)	(36.1)	(16.4)	(27.4)
JMT TB	(5.7)	2.2	45.6	(32.6)
CHAYO TB	(2.7)	(25.3)	(11.6)	(48.2)
SETFIN	(1.2)	(7.2)	7.0	(14.5)
SET	(2.6)	(3.5)	8.7	(2.3)

Source: Bloomberg

Exhibit 4: DuPont analysis of SAWAD – ROE to drop to 15% by 2026E from slow loan growth, NIM contraction and potential stock dividend option in 2024-26

Profit & Loss (% to avg assets)	2018 (%)	2019 (%)	2020 (%)	2021 (%)	2022 (%)	2023 (%)	2024E (%)	2025E (%)	2026E (%)
Interest income	15.97	17.10	16.76	13.45	14.70	17.40	16.27	16.24	16.25
Interest expense	-1.99	-1.96	-1.85	-1.55	-1.44	-2.50	-2.86	-2.75	-2.66
Net interest income	13.98	15.14	14.90	11.89	13.26	14.90	13.40	13.49	13.59
Non-interest income	5.74	6.03	5.80	6.17	5.54	3.50	2.77	2.89	2.86
Operating income	19.73	21.17	20.70	18.06	18.80	18.40	16.18	16.38	16.46
Operating expenses	-8.39	-8.34	-7.77	-6.82	-8.74	-9.15	-8.38	-8.36	-8.30
PPOP	11.33	12.83	12.93	11.24	10.06	9.25	7.80	8.02	8.16
Bad debt and doubtful acc. charges	-1.07	-1.30	-0.66	0.89	-0.13	-1.95	-1.82	-1.90	-2.03
Profit after prov'ns	10.26	11.53	12.28	12.14	9.93	7.30	5.98	6.12	6.12
Net non-operating item	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Pre-tax profit	10.26	11.53	12.28	12.14	9.93	7.30	5.98	6.12	6.12
Income tax	-2.00	-2.25	-2.45	-2.65	-1.84	-1.52	-1.20	-1.22	-1.22
Profit after tax	8.27	9.28	9.83	9.48	8.09	5.78	4.78	4.89	4.90
Minority interests	-0.64	-0.41	-0.58	-0.62	-0.59	-0.28	-0.24	-0.24	-0.24
Share in subsids/assocs	0.00	0.00	0.00	-0.06	0.05	0.03	0.00	0.00	0.00
Core profit	7.63	8.87	9.25	8.81	7.56	5.53	4.54	4.65	4.65
FX gain (loss)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Extraordinary items	0.00	0.00	0.00	0.45	-0.06	0.00	0.00	0.00	0.00
Reported net profit (ROA, %)	7.63	8.87	9.25	9.26	7.49	5.53	4.54	4.65	4.65
Average assets (THB m)	36,297	42,339	48,734	50,987	59,724	90,473	112,758	119,917	132,602
Average equity (THB m)	10,645	15,126	20,237	23,391	25,180	26,920	30,799	35,953	41,289
Gearing	3.4x	2.8x	2.4x	2.2x	2.4x	3.4x	3.7x	3.3x	3.2x
ROE (%)	26.01	24.84	22.28	20.19	17.78	18.58	16.64	15.50	14.94

Sources: SAWAD, FSSIA estimates

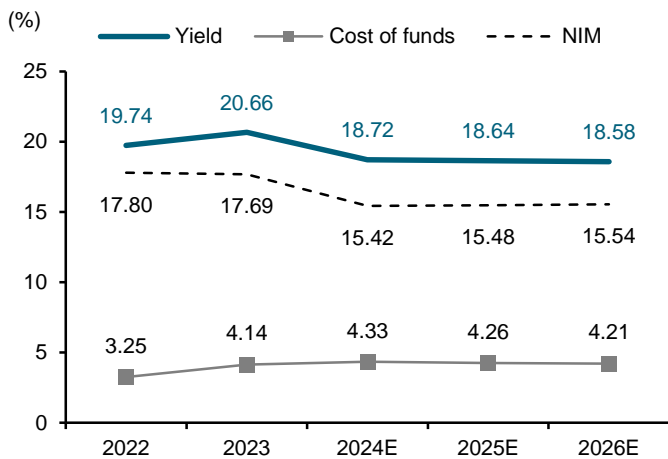
Exhibit 5: SAWAD's loan growth**Key milestones:**

2021: Deconsolidation of 'Fast Money' or FM subsidiary to Government Saving Bank (GSB) under JV agreement

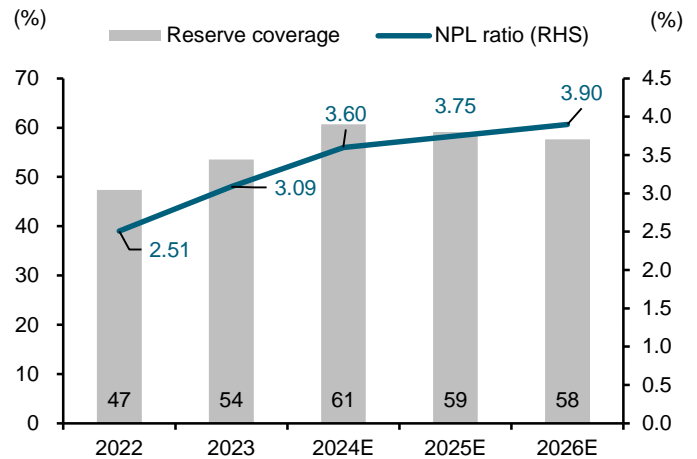
2022: Aggressive expansion of motorcycle HP business

2023: Purchase and reconsolidation of FM after end of JV agreement with GSB

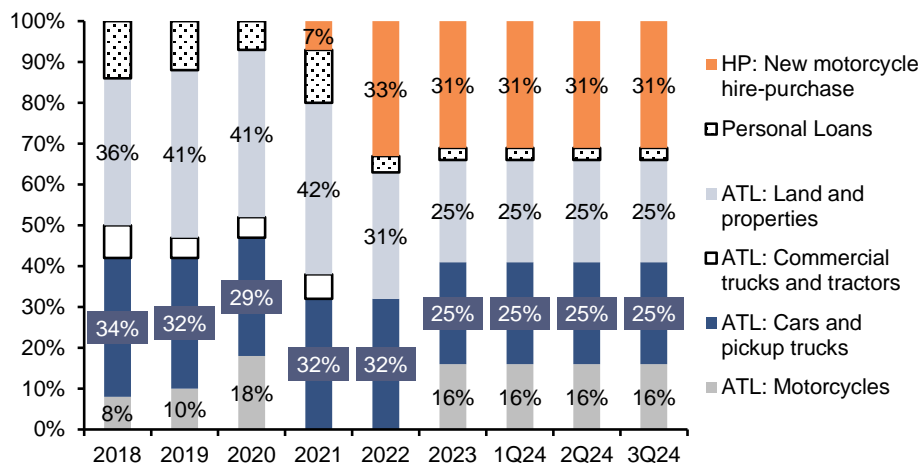
Sources: SAWAD, FSSIA estimates

Exhibit 6: Yield, cost of funds and NIM

Sources: SAWAD, FSSIA estimates

Exhibit 7: NPL ratio and NPL coverage ratio

Sources: SAWAD, FSSIA estimates

Exhibit 8: SAWAD's loan breakdown

ATL = Asset title loans, HP = Hire-purchase loans

Sources: SAWAD, FSSIA's compilation

Less concerned over asset quality

Motorcycle HP accounted for 31% of SAWAD's 3Q24 total loans vs only 7% in 2021, which is the first year of HP business operation and is now the key portion of SAWAD's loan portfolio (see Exhibit 8).

After an aggressive HP loan expansion in 2022, SAWAD's loans and risk profile have changed massively. Before its entry into the HP business, almost 100% of SAWAD's loans were core asset title loans (ATL) with a lower risk of default of c3% and low loan-to-value (LTV) of c30-50%, based on SAWAD's 10-year historical average. However, HP for motorcycles normally contains higher risk with an average risk of default of c7-10% and higher LTV of 80-100%, based on the HP industry average from HP company data and our calculations.

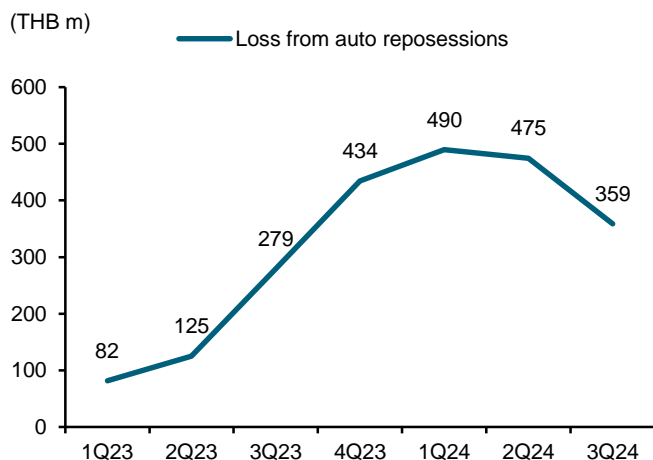
The higher LTV of HP loans imply a higher loss given default (LGD) compared to the low LGD from the ATL business. In general, based on industry practices and our analysis of the ATL and HP segments, the LGD of the ATL business is almost zero because the LTV is up to 50% of the market price only. This means that once borrowers default, and assuming no sharp drop in market price, the lender could liquidate the assets at up to 100% of the market price and settle the default loans (with LTV of 50%) with a minimal loss from repossession. However, the LGD for HP is typically 30-50% on the back of allowable LTV of up to 100% at the point of HP loan origination vs the asset's market value, which could fall 50-70% within the first year of the HP loan contract.

Note that HP loan contracts typically last for three years or 36 months. In addition, based on our observation and discussions with many HP operators, the critical period to monitor HP loan quality is the first 12-18 months of the contract. The operators see a high default rate of HP loans within that period. That said, the problem of asset quality for HP loans normally has a one-year lag time after loan origination.

Meanwhile, after loan repayment for 12-18 months, the borrowers tend to complete the loan contract successfully, as 33-50% of loans are paid with a sense of more ownership and more caution to protect their collateral.

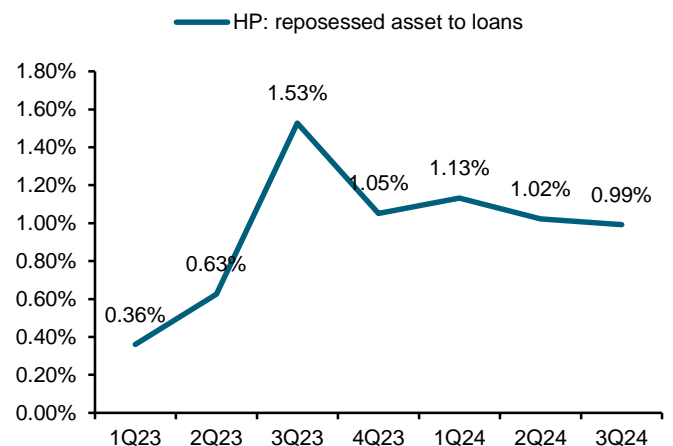
Back to SAWAD's HP business, after the aggressive expansion in 2022, the problem of asset quality in HP occurred in 2023, which is in line with the aforementioned factors. The indicators of worsening asset quality for SAWAD during 2023 included higher losses on auto repossession, rising repossessed assets to loans, higher credit costs, a higher NPL ratio and an uptrend in the NPL formation rate (see Exhibits 9-12).

Exhibit 9: SAWAD's loss from auto repossessions – peaked in 1Q-2Q24 with downtrend

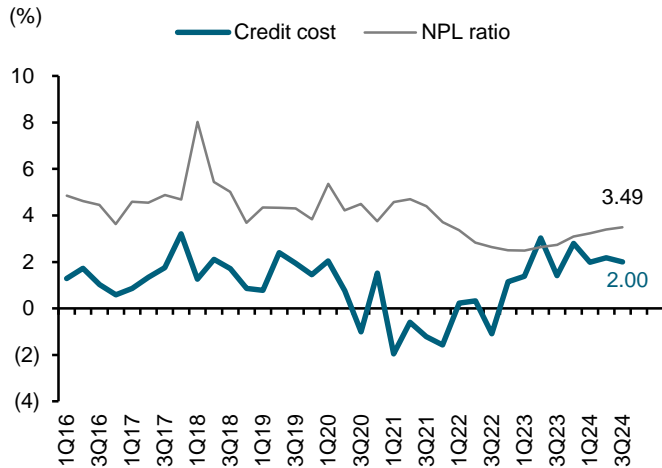


Sources: SAWAD, FSSIA's compilation

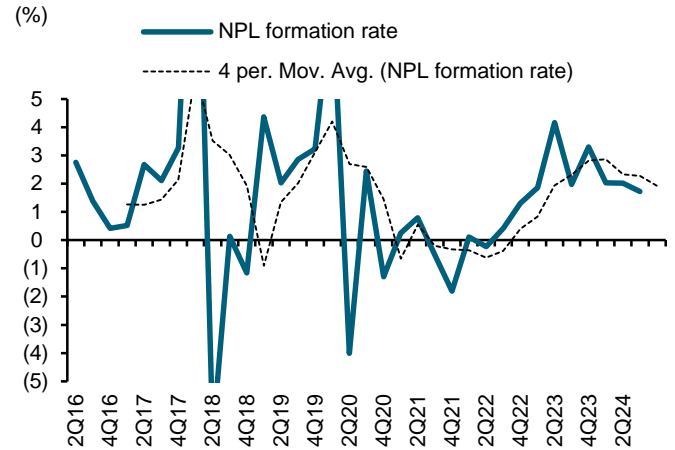
Exhibit 10: Stabilized repossessed assets to HP loans



Sources: SAWAD, FSSIA's compilation

Exhibit 11: Overall SAWAD's NPL ratio and credit cost are now stabilized

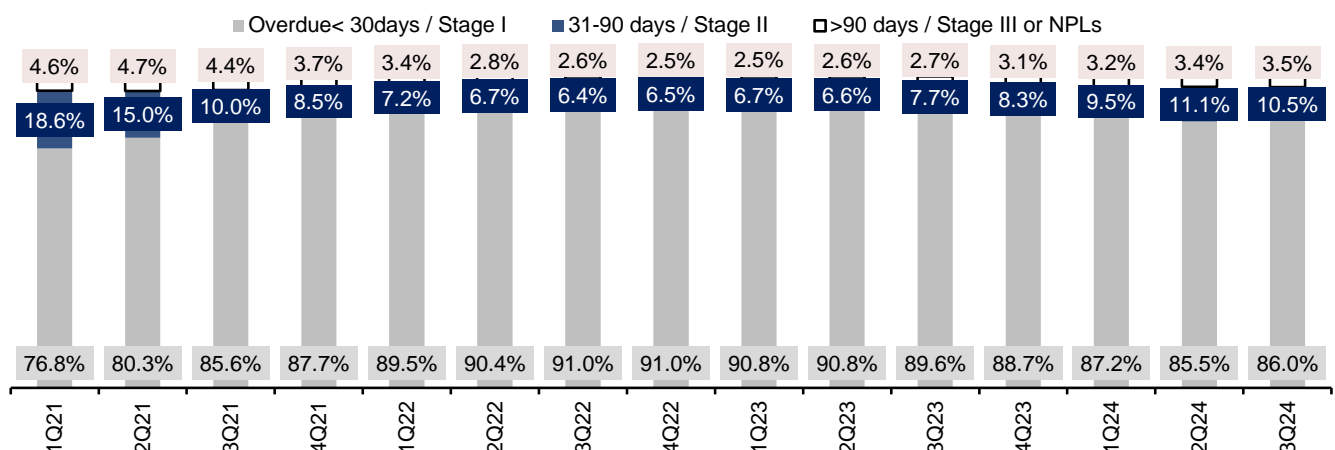
Sources: SAWAD, FSSIA's compilation

Exhibit 12: Trend of NPL formation rate is now benign, in our view

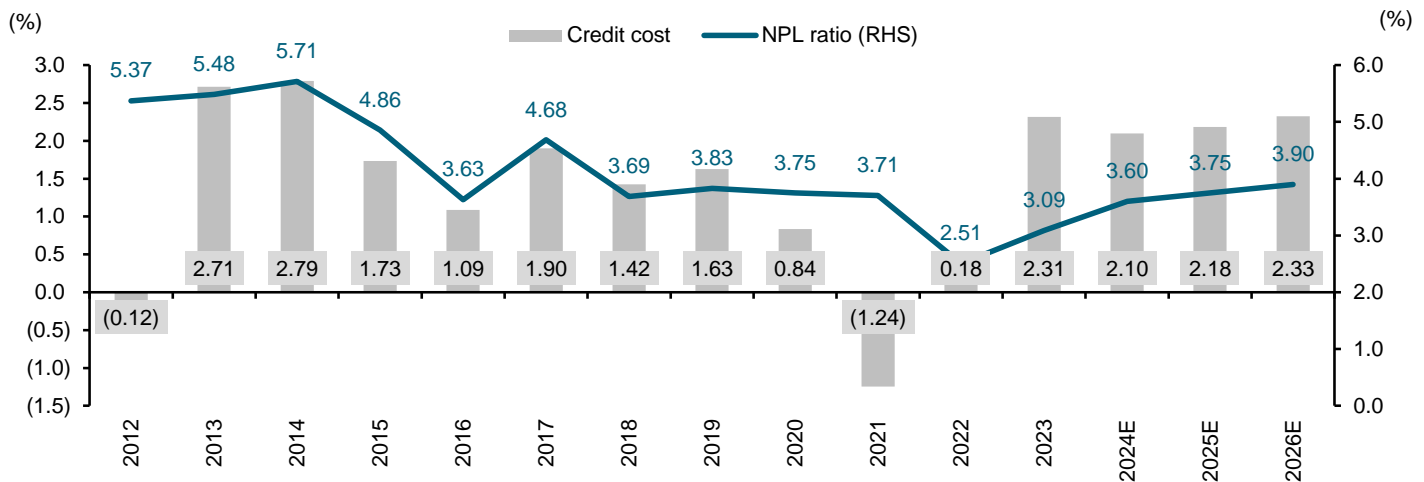
Sources: SAWAD, FSSIA's compilation

After the active NPL write-offs and auto repossessions with high loss occurrence since 2Q23, we have seen improving signs of asset quality for SAWAD, especially hire-purchase, from the peak loss from auto repossessions amounting to THB475-490m in 1Q-2Q24 down to THB359m in 3Q24 (see Exhibit 9). The peak of auto repossessions aligns with the stabilized trend in the NPL formation rate (Exhibit 12) and credit cost of 2% in 3Q24. With these indicators and continued balance sheet cleanup, we expect a lower asset quality burden and lower losses from auto repossessions going forward.

The NPL ratio increased slightly q-q to 3.49% in 3Q24 vs 3.40% in 2Q24. Nonetheless, the current NPL ratio remains in line with management's target of 3.5% and the historical average of around 4% (FSSIA estimates 3.6% and 3.75% for 2024-25, respectively). Based on SAWAD's loan breakdown by stage, delinquent loans or loans under stage II accounted for c10.5% of 3Q24 total loans. Part of these could fall into NPLs or stage III loans, and thus our forecast for the NPL ratio and credit cost at 2.1-2.3% in 2024-26 should be conservative enough to absorb such downside risks. Note that our credit cost forecast range is more conservative than management's target of 2.0%.

Exhibit 13: SAWAD's loans by stage

Sources: SAWAD, FSSIA's compilation

Exhibit 14: SAWAD's credit cost and NPL ratio – expect NPL ratio of less than 4% with credit cost of 2.1-2.3% for 2024-26

Sources: SAWAD, FSSIA estimates

Legal issue with DSI and implications for SAWAD's business

In August 2024, there was a concern that SAWAD's new debentures were not fully subscribed by investors following the company's legal issue with the Department of Special Investigation (DSI) regarding excessive interest charges to a group of customers ([source: DSI](#)). Eventually, from our channel check with the company and fact check via the Thai Bond Market Association (ThaiBMA), it was apparent that SAWAD's debentures were actually fully subscribed during that time.

Nonetheless, the negative news flowed and affected investment sentiment at that time, which eventually impacted SAWAD's funding progress as well as loan expansion in 3Q24. SAWAD's loans contracted by 2.8% q-q in 3Q24, which is the first loan contraction q-q for SAWAD (excluding the deconsolidation of its Fast Money subsidiary in 1Q21). This was mainly due to SAWAD's funding hiccup in the debenture market and conservative new lending in both ATL and HP businesses.

Regarding this case, we see the risk of debenture rollover or refinancing as one of SAWAD's downside risks if there is any negative news. For a moderate downside risk, we expect a higher cost of funds for new refinancing costs. In the worst case, if there is any negative sentiment and/or lack of investor trust, it is possible that SAWAD's new debentures would not be able to roll over and would eventually affect the lending business' operations. Note that there are cTHB16b of SAWAD's debentures to mature (23% of SAWAD's total funding) in 2025.

After funding hiccup in 3Q24, SAWAD disclosed that the company has resumed debenture funding and loan growth moderately in 4Q24. Thus, the loan growth should be positive q-q in 4Q24 but full-year 2024E loan growth would be much below company target of 10% (FSSIA's estimates at 1.8% y-y).

Exhibit 15: Debenture maturity timeline

TRIS Rating	AA-	A- (Fitch)	BBB+	BBB+	A	A-	A (Fitch)	A-
Unit: THB m	KTC	AEONTS	SAWAD	MTC	TIDLO	BAM	ASK	THANI
2024	0	0	2,879	0	0	500	0	500
2025	11,500	1,000	15,985	31,558	19,400	13,119	11,046	9,093
2026	12,330	1,700	12,107	22,656	12,035	12,770	6,845	9,600
2027	7,732	0	5,546	14,897	7,300	13,145	5,617	8,351
2028	3,315	0	5,760	6,933	1,565	6,153	2,299	1,000
2029	5,930	0	696	0	0	7,025	685	0
2030	1,000	0	0	0	0	5,300	0	0
2031	500	0	0	0	0	3,500	0	0
2032	0	0	0	0	0	2,140	0	0
2033	0	0	0	0	0	3,434	0	0
2034	0	0	0	0	0	2,374	0	0
Sum	42,307	2,700	42,971	76,045	40,300	69,460	26,492	28,544

Sources: Thai Bond Market Association or ThaiBMA, FSSIA's compilation

For the legal case with DSI regarding excessive interest charges to a group of customers with land titles as land collateral, SAWAD's management has disclosed that the legal transaction with that group of borrowers (with land titles as collateral) was made via promissory notes, which is subject to a specific section of the Thai Civil and Commercial Code (CCC) and is not subject to the general section of a 15% interest rate ceiling under the CCC. According to SAWAD's management, there were nine customers that filed a lawsuit via DSI against SAWAD, six of them have been negotiated and settled while three of them remain unsettled. The total loan value of the remaining three cases is less THB1m with no attempt of a "class action lawsuit" *** so far.

In our view, this case might not impact SAWAD's profitability. However, this would be one of the regulatory risks to SAWAD's business in the future. This is because the land title loan business (25% of SAWAD's loans) is not properly regulated by either specific license or law in Thailand. This is different from the auto title loan business which is now under the Bank of Thailand (BOT)'s supervision with a proper licensing framework for operators.

*** "Class action lawsuit" is a type of lawsuit where the plaintiff is a group of people who are represented collectively by a member or members of that group. This lawsuit typically allows consumer organizations or a group of customers to bring claims, on behalf of consumers, against the company or defendant for the mutual original cause of dangerous product/misconduct of service.

Slower loan growth and stock dividend option for lowering D/E

For loan growth resumption after the expansion hiccup in 3Q24, SAWAD is focusing on ATL including land titles, auto titles and motorcycle title loans (2W) rather than motorcycle HP. The company is maintaining the conservative LTV policy for ATL at 30-40% of market value (which is unchanged q-q vs the typical range of 40 to 50%). The conservative LTV stance for SAWAD mainly aims to protect its balance sheet by minimizing LGD during the uncertain economic recovery in Thailand.

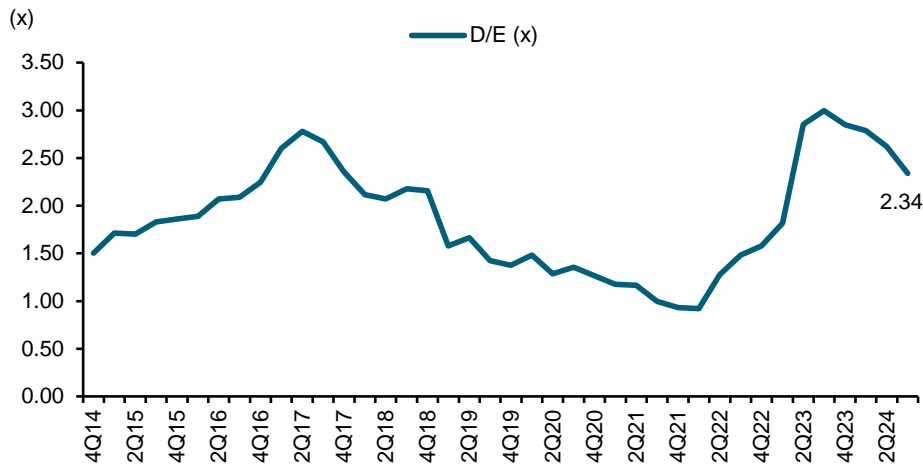
On the other hand, the low LTV stance for SAWAD at c30-40% vs peers' 40-50% reduces SAWAD's competitiveness in the ATL market, in our view. This is because the low LTV and loan ticket size may not be sufficient for customers' demand for loans. Eventually, we believe this would affect SAWAD's loan growth trajectory.

As such, we expect SAWAD to record loan growth of 7.8% CAGR during 2024-26, mainly driven by ATL (land titles, 4-wheeled autos like pickup trucks and motorcycles). On the other hand, we expect loan growth from the motorcycle HP business to be moderate.

In addition, we expect SAWAD's loan growth to slow from 43% CAGR over the past three years (2021-24E) because the current D/E ratio for SAWAD is at 2.3x, which is above the historical average of 1.8x. We believe the excessive D/E from the historical level would affect SAWAD's credit rating of BBB+ by TRIS and its funding in the future.

To control the D/E ratio and protect the company's liquidity stance, SAWAD's management plans to apply a stock dividend option for 2024-26 instead of the cash dividend option in the past three years.

Exhibit 16: SAWAD's D/E – expect it to come down from stock dividend option and slow loan growth

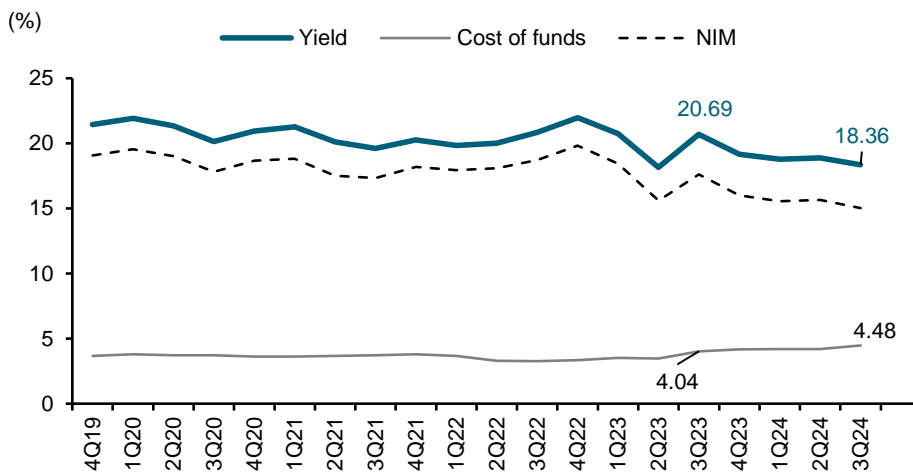


Sources: SAWAD, FSSIA's compilation

Expect headwinds from lower loan yield

Since 1Q23, SAWAD's average loan yield has declined for seven consecutive quarters. On the other hand, over the same period, SAWAD's funding cost has been increasing steadily following the higher interest rate trend. Eventually, SAWAD's NIM entered a downtrend.

Exhibit 17: Yield, cost of funds and NIM – SAWAD has faced a NIM downtrend since 1Q23 from both lower yields and higher cost of funds



Sources: SAWAD, FSSIA's compilation

We believe there are two major factors behind the lower average yield for SAWAD as follows:

- 1) Maturity of high-yield motorcycle HP loans with a 30%+ yield and which originated before January 2023. Since January 2023, the OCPB has fixed the maximum loan yield for motorcycle HP at 23%. Thus, SAWAD's new HP loans from January 2023 until present are now capped. Meanwhile, with the average duration of HP loans of three years, the high-yield HP contracts will mature gradually. As of 3Q24, SAWAD disclosed that the proportion of high-yield HP loans is now only 20% of total HP loans (or THB6b) remaining. The majority of HP loans are now under the 23% yield ceiling rate.
- In our view, we expect the end of high-yield HP loans by 4Q25. This would mark the bottom of SAWAD's HP loan yield. Nonetheless, we think the upside risk of a higher HP loan yield is uncertain, as SAWAD has charged HP loans to its customers at around 22-23% already.

- 2) Higher competition in the ATL industry. SAWAD normally charges ATL customers around 18-22% vs peers' c18-20%. However, with the conservative LTV stance at 30-40% vs peers' 40-50%, we see this low LTV stance as prohibiting SAWAD from marking up a higher loan yield to ATL customers. If both the low LTV and high loan yield are applied, we believe SAWAD will lose competitiveness in ATL market further.
- We believe SAWAD will maintain its conservative LTV policy in order to control risk management and loss-given default. Thus, simultaneously, we believe SAWAD will be unable to command a higher loan yield for the ATL business.

Going forward, we expect the situation of SAWAD's yield pricing to remain the same for both HP and ATL businesses. With limited room to adjust loan yields for new borrowers, we expect SAWAD's average loan yield to be at 18.6-18.7% in 2024-26 vs c20-21% in 2019-23.

3Q24 results review – controllable asset quality

SAWAD reported a 3Q24 net profit of THB1.3b, down 6.2% y-y but up 9.2% q-q, in line with the Bloomberg consensus. Overall, the asset quality for SAWAD was controllable, in our view, with a benign NPL ratio at 3.5% and a credit cost of 2.0% in 3Q24. In addition, with lower opex by 2% q-q from THB2.33b to THB2.28b, we believe this could imply that SAWAD's losses from auto repossession in the motorcycle HP business decreased q-q.

On the negative side, the NIM contracted from both a lower yield and higher funding costs. Moreover, SAWAD recorded a loan contraction of 2.8% q-q in 3Q24 (but +3.9% y-y). We believe there are many factors behind including liquidity management for bondholders, like the prudent new lending policy and NPL write-offs.

Exhibit 18: SAWAD – 3Q24 operating summary

Profit and loss	3Q23	4Q23	1Q24	2Q24	3Q24	----- Change -----		9M24	Change	2024E	% of 24E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	(THB m)	(%)
Interest income	4,647	4,546	4,595	4,662	4,478	(3.6)	(4.0)	13,735	22.7	18,342	74.9
Interest expense	690	749	789	793	813	17.8	2.4	2,395	57.9	3,230	74.2
Net interest income	3,956	3,797	3,806	3,869	3,665	(7.4)	(5.3)	11,339	17.1	15,113	75.0
Non-interest income	605	767	818	666	796	31.5	19.5	2,279	(5.2)	3,127	72.9
Non-interest expenses	2,447	2,281	2,492	2,325	2,280	(6.8)	(2.0)	7,097	18.3	9,444	75.1
Pre-provision profits	2,115	2,283	2,131	2,210	2,181	3.1	(1.3)	6,522	7.2	8,796	74.1
Provisioning expense	316	664	486	537	488	54.5	(9.2)	1,510	37.5	2,054	73.5
Profit before tax	1,800	1,619	1,645	1,673	1,693	(5.9)	1.2	5,011	0.5	6,742	74.3
Tax expense	375	333	367	352	328	(12.7)	(6.9)	1,047	0.4	1,348	77.6
Net profit	1,387	1,265	1,261	1,265	1,301	(6.2)	2.8	3,827	2.4	5,124	74.7
EPS (THB)	1.01	0.92	0.92	0.84	0.86	(14.8)	2.8	2.62	(3.8)	3.39	77.2

Balance sheet	3Q23	4Q23	1Q24	2Q24	3Q24	----- Change -----				2024E
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)			(THB m)
Cash and equivalent	7,183	3,962	5,462	5,256	3,558	(50.5)	(32.3)			4,325
Gross loans	92,565	97,109	98,666	98,929	96,157	3.9	(2.8)			98,857
Other current assets	5,235	4,961	5,335	5,322	5,265	0.6	(1.1)			5,958
Investments	3,241	3,133	2,995	2,888	2,798	(13.7)	(3.1)			2,650
Fixed assets - net	2,182	2,180	2,180	2,129	2,098	(3.8)	(1.4)			2,403
Other non-current assets	256	269	280	275	267	4.5	(2.8)			288
Total assets	110,806	111,465	114,613	114,288	109,604	(1.1)	(4.1)			114,051
Short-term borrowings	12,295	13,085	14,130	10,528	8,145	(33.8)	(22.6)			11,108
Long-term borrowings	56,889	61,423	61,892	64,538	61,913	8.8	(4.1)			63,400
Total liabilities	80,760	80,268	82,123	80,503	74,630	(7.6)	(7.3)			77,287
Total shareholder equity	26,947	28,177	29,468	30,713	31,882	18.3	3.8			33,422
BVPS (THB)	19.62	20.52	21.46	20.33	21.11	7.6	3.8			22.13

Key drivers and ratios	3Q23	4Q23	1Q24	2Q24	3Q24	----- Change -----		9M24	Change	2024E
	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)	(%)
Gross loans (THB m)	92,565	97,109	98,666	98,929	96,157	3.90%	-2.80%	96,157	3.88	98,857
Yield on loans	20.69	19.17	18.78	18.88	18.36	(2.33)	(0.51)	18.67	(1.19)	18.72
Cost of funds	4.04	4.17	4.20	4.20	4.48	0.44	0.28	4.29	0.61	4.33
Net interest margin	17.62	16.01	15.55	15.66	15.03	(2.59)	(0.64)	15.41	(1.81)	15.42
Cost-to-income ratio	53.63	49.97	53.90	51.28	51.11	(2.52)	(0.16)	52.10	2.67	51.78
Credit cost	1.41	2.80	1.99	2.17	2.00	0.59	(0.17)	2.05	0.11	2.10
NPL ratio	2.73	3.09	3.23	3.40	3.49	0.76	0.09	3.49	0.76	3.60
NPL coverage	50.22	53.55	55.60	59.82	61.10	10.88	1.28	61.10	10.88	60.68
ROE	21.14	18.36	17.50	16.82	16.62	(4.52)	(0.19)	16.98	(2.00)	16.64
Debt to equity	299.70	284.87	278.68	262.11	234.08	(65.62)	(28.03)	234.08	(65.62)	231.25

Sources: SAWAD, FSSIA's estimates

Outlook

Going forward, we believe SAWAD will maintain its conservative new lending stance (LTV at only 40% vs typical range of 45-50%) given the uncertain household debt environment, especially for the motorcycle HP business. Thus, loan growth is likely to be muted in 2024 and should resume in 2025, depending on government stimulus measures.

Overall, asset quality, losses from auto repossessions and the credit cost trend should stabilize after the balance sheet cleanup that started in 2Q23.

Highlights

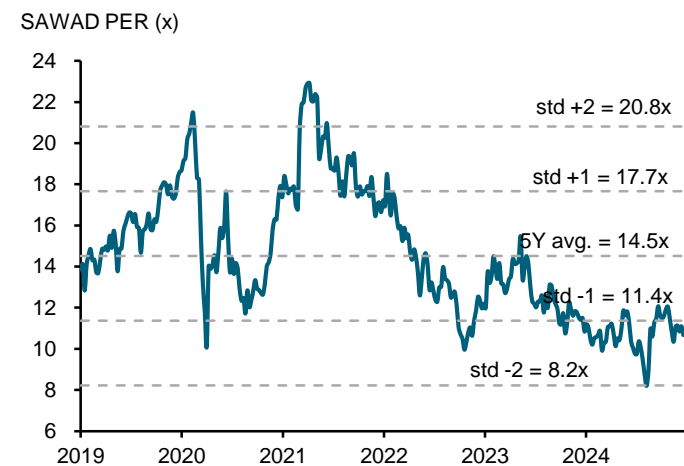
- **(-) Loan growth:** SAWAD posted 3Q24 loan growth of 3.9% y-y and -2.8% q-q, which was lower than FSSIA's forecast. We believe the miss in loan growth was mainly due to 1) conservative new lending from SAWAD to customers in order to protect asset quality; 2) historically high NPL write-offs worth THB424m in 3Q24 (implying a 1.7% charge-off rate to total loans); and 3) liquidity management for bondholders rather than loan expansion.
- **(-) NIM** was at 15.03% in 3Q24 (-64bp q-q) on the back of a decrease in loan yield (-51bp q-q to 18.36%). We believe the lower loan yield q-q was due to the maturity of the high-yield loan segment like motorcycle HP with a yield of 30% (before cap in Jan-23 to 23%). Funding costs were at 4.48% (+28 bp q-q).
- **(+) Non-NII** was at THB796m (+32% y-y, +20% q-q). We believe this was mainly due to higher fees from insurance brokerage services.
- **(+) Cost-to-income ratio** was at 51.1% in 3Q24, which improved from the peak of 54% in 1Q24. We believe the improvement was mainly due to lower losses from auto repossessions.
- **(0) PPOP:** At the operating level, SAWAD's 3Q24 pre-provisioning operating profit (PPOP) was at THB2.18b (+3.1% y-y, -1.3% q-q), which is moderate in our view.

Exhibit 19: SAWAD – loan staging and loan loss reserve (LLR)

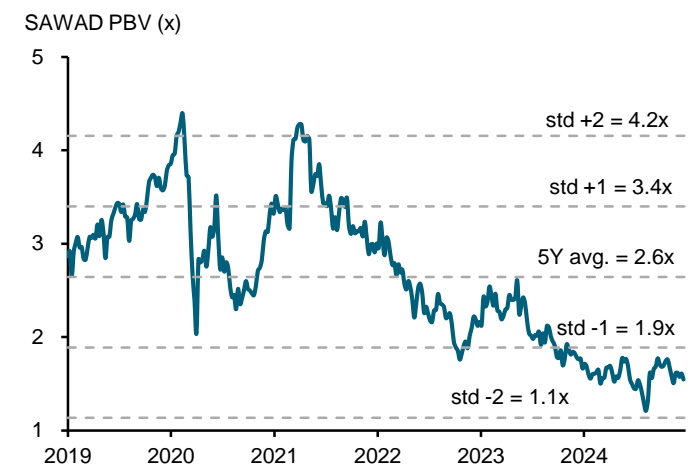
	2022	2023	1Q24	2Q24	3Q24	2022	2023	1Q24	2Q24	3Q24
Loans	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	% total loans				
Stage I (normal loans)	50,271	86,099	86,065	84,620	82,677	90.95	88.66	87.23	85.54	85.98
Stage II (delinquent loans)	3,614	8,012	9,410	10,949	10,123	6.54	8.25	9.54	11.07	10.53
Stage III (non-performing loans, NPLs)	1,385	2,998	3,192	3,360	3,357	2.51	3.09	3.23	3.40	3.49
Total loans	55,270	97,109	98,666	98,929	96,157	100.00	100.00	100.00	100.00	100.00
Loan loss reserve: LLR	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	% LLR to Loans				
Stage I	171	324	338	378	401	0.3	0.4	0.4	0.4	0.5
Stage II	238	566	662	771	644	6.6	7.1	7.0	7.0	6.4
Stage III	247	716	774	861	1,056	17.9	23.9	24.2	25.6	31.4
Total loans	656	1,605	1,774	2,010	2,101	1.2	1.7	1.8	2.0	2.2
LLR / Loans	(%)	(%)	(%)	(%)	(%)					
Stage I (normal loans)	0.4	0.4	0.4	0.5	0.4					
Stage II (delinquent loans)	7.1	7.0	7.0	6.4	7.1					
Stage III (non-performing loans, NPLs)	23.9	24.2	25.6	31.4	23.9					
Total loans	1.7	1.8	2.0	2.2	1.7					
Key ratio	(%)	(%)	(%)	(%)	(%)					
NPL to Total loans	3.09	3.23	3.40	3.49	3.09					
(NPL + Stage II) to Total loans	11.34	12.77	14.46	14.02	11.34					
LLR / NPL (NPL coverage ratio)	53.55	55.60	59.82	62.59	53.55					
LLR / (NPL + Stage II)	14.58	14.08	14.05	15.59	14.58					

Sources: SAWAD, FSSIA's compilation

- **(+) Asset quality:** The overall 3Q24 asset quality for SAWAD was controllable, in our view, with loans under stage II lower q-q from 11.1% of total loans in 2Q24 to 10.5% in 3Q24. The NPL ratio was at 3.49% in 3Q24 (+9bp q-q) vs the company's target of c3.5%. The 3Q24 NPL formation rate was at 170bp, which is lower than the five-year peak of 420bp in 1Q24 and lower than 200bp in 2Q24. This implies SAWAD's asset quality was benign, following the balance sheet cleanup that started in 2Q23.
- **(0) Credit cost:** Credit costs were at 2.00% in 3Q24; higher than the company's target of 1.8% for 2024 but lower than 2.2% in 2Q24. The relaxation of credit costs q-q implies SAWAD's benign asset quality, in our view. The NPL coverage ratio improved q-q to 61% (2Q24: 60%).

Exhibit 20: SAWAD – one-year prospective P/E band

Sources: Bloomberg, FSSIA estimates

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

Sources: Bloomberg, FSSIA estimates

Exhibit 22: Peers comparison, as of 6 January 2025

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)
Auto title													
Muangthai Capital	MTC TB	BUY	46.25	60.00	29.7	16.4	12.7	2.6	2.2	17.2	18.9	0.9	1.2
Srisawad Corp	SAWAD TB	HOLD	39.75	45.50	14.5	11.7	10.8	1.8	1.6	16.6	15.5	0.9	0.9
Ngern Tid Lor	TIDLOR TB	BUY	16.30	20.50	25.8	11.4	9.6	1.5	1.3	13.7	14.6	3.5	1.6
Saksiam Leasing	SAK TB	BUY	4.70	5.28	12.4	11.9	10.4	1.6	1.4	13.7	14.4	3.5	4.0
Unsecured finance													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	123.00	142.00	15.4	10.4	9.5	1.2	1.1	11.7	11.9	4.1	4.4
Krungthai Card	KTC TB	HOLD	50.25	43.00	(14.4)	17.3	17.3	3.3	3.0	19.8	17.9	2.6	2.6
Hire-purchase truck													
Asia Sermkij Leasing	ASK TB	HOLD	9.90	11.00	11.1	11.8	9.3	0.5	0.5	4.2	5.3	4.3	5.4
Ratchthani Leasing	THANI TB	HOLD	1.47	1.78	21.1	9.4	8.3	0.7	0.6	7.2	8.0	5.9	6.7
AMCs													
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	6.05	9.00	48.8	14.5	12.2	0.4	0.4	3.1	3.6	5.5	6.6
JMT Network services	JMT TB	HOLD	17.90	17.00	(5.0)	15.7	12.9	1.0	0.9	6.2	7.4	3.8	4.6
Chayo Group	CHAYO TB	BUY	2.80	4.00	42.9	11.3	6.6	0.8	0.7	7.9	11.8	2.4	2.3
Average						12.9	10.9	1.4	1.3	11.0	11.8	3.4	3.7

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

Sources: Bloomberg, FSSIA estimates

Financial Statements

Srisawad Corp

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	8,780	15,744	18,342	19,479	21,549
Interest expense	(862)	(2,266)	(3,230)	(3,301)	(3,523)
Net interest income	7,918	13,478	15,113	16,178	18,026
Net fees & commission	3,311	3,171	3,127	3,460	3,796
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	0	0	0	0	0
Non interest income	3,311	3,171	3,127	3,460	3,796
Total income	11,229	16,648	18,240	19,638	21,823
Staff costs	(5,219)	(8,282)	(9,444)	(10,022)	(11,008)
Other operating costs	-	-	-	-	-
Operating costs	(5,219)	(8,282)	(9,444)	(10,022)	(11,008)
Pre provision operating profit	6,010	8,367	8,796	9,616	10,815
Expected credit loss	(78)	(1,763)	(2,054)	(2,282)	(2,698)
Other provisions	-	-	-	-	-
Operating profit	5,932	6,603	6,742	7,334	8,117
Recurring non operating income	31	26	0	0	0
Associates	31	26	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	5,963	6,629	6,742	7,334	8,117
Tax	(1,097)	(1,375)	(1,348)	(1,467)	(1,623)
Profit after tax	4,865	5,254	5,393	5,867	6,493
Non-controlling interest	(351)	(253)	(270)	(293)	(325)
Preferred dividends	0	0	0	0	0
Other items	(39)	0	0	0	0
Reported net profit	4,476	5,001	5,124	5,574	6,169
Non recurring items & goodwill (net)	-	-	-	-	-
Recurring net profit	4,476	5,001	5,124	5,574	6,169
Per share (THB)					
Recurring EPS *	3.26	3.64	3.39	3.69	4.08
Reported EPS	3.26	3.64	3.39	3.69	4.08
DPS	1.80	0.11	0.34	0.37	0.41
Growth					
Net interest income (%)	30.6	70.2	12.1	7.0	11.4
Non interest income (%)	5.3	(4.2)	(1.4)	10.6	9.7
Pre provision operating profit (%)	4.8	39.2	5.1	9.3	12.5
Operating profit (%)	(4.2)	11.3	2.1	8.8	10.7
Reported net profit (%)	(5.2)	11.7	2.5	8.8	10.7
Recurring EPS (%)	(5.2)	11.7	(6.9)	8.8	10.7
Reported EPS (%)	(5.2)	11.7	(6.9)	8.8	10.7
Income Breakdown					
Net interest income (%)	70.5	81.0	82.9	82.4	82.6
Net fees & commission (%)	29.5	19.0	17.1	17.6	17.4
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.0	0.0	0.0	0.0	0.0
Operating performance					
Gross interest yield (%)	19.74	20.66	18.72	18.64	18.58
Cost of funds (%)	3.25	4.14	4.33	4.26	4.21
Net interest spread (%)	16.49	16.52	14.39	14.38	14.37
Net interest margin (%)	17.8	17.7	15.4	15.5	15.5
Cost/income(%)	46.5	49.7	51.8	51.0	50.4
Cost/assets(%)	8.7	9.2	8.4	8.4	8.3
Effective tax rate (%)	18.4	20.7	20.0	20.0	20.0
Dividend payout on recurring profit (%)	55.2	3.1	10.0	10.0	10.0
ROE (%)	17.8	18.6	16.6	15.5	14.9
ROE - COE (%)	7.6	8.4	6.4	5.3	4.7
ROA (%)	8.1	5.8	4.8	4.9	4.9
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Financial Statements

Srisawad Corp

Balance Sheet (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Gross customer loans	55,270	97,109	98,857	110,143	121,820
Allowance for expected credit loss	(656)	(1,605)	(2,159)	(2,441)	(2,739)
interest in suspense	-	-	-	-	-
Net customer loans	54,614	95,503	96,698	107,702	119,080
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	72	68	0	0	0
Cash & equivalents	2,823	3,962	4,325	4,599	5,670
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,970	2,180	2,403	2,555	2,835
Associates	1,502	0	0	0	0
Goodwill	-	-	-	-	-
Other intangible assets	961	1,209	1,442	1,533	1,701
Other assets	3,953	5,230	6,247	6,439	7,144
Total assets	69,482	111,465	114,051	125,784	139,419
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	35,014	74,508	74,508	80,468	86,906
Non interest bearing liabilities	5,463	5,761	2,779	2,984	4,010
Hybrid Capital	-	-	-	-	-
Total liabilities	40,477	80,268	77,287	83,452	90,915
Share capital	1,373	1,373	1,510	1,510	1,510
Reserves	24,289	26,804	31,911	36,973	42,584
Total equity	25,662	28,177	33,422	38,483	44,095
Non-controlling interest	3,342	3,020	3,342	3,848	4,409
Total liabilities & equity	69,482	111,465	114,051	125,784	139,419
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	44,479	76,189	97,983	104,500	115,981
Average interest bearing liabilities	26,509	54,761	74,508	77,488	83,687
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)	-	-	-	-	-
Per share (THB)					
Book value per share	18.69	20.52	22.13	25.48	29.19
Tangible book value per share	17.99	19.64	21.17	24.46	28.07
Growth					
Gross customer loans	64.1	75.7	1.8	11.4	10.6
Average interest earning assets	21.6	71.3	28.6	6.7	11.0
Total asset (%)	39.1	60.4	2.3	10.3	10.8
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	36.9	25.3	29.3	30.6	31.6
Tangible equity/assets (%)	35.6	24.2	28.0	29.4	30.4
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Allowance for ECL/gross loans (%)	1.2	1.7	2.2	2.2	2.2
Allowance for ECL/NPL (%)	-	-	-	-	-
Valuation					
Recurring P/E (x) *	12.2	10.9	11.7	10.8	9.7
Recurring P/E @ target price (x) *	14.0	12.5	13.4	12.3	11.1
Reported P/E (x)	12.2	10.9	11.7	10.8	9.7
Dividend yield (%)	4.5	0.3	0.9	0.9	1.0
Price/book (x)	2.1	1.9	1.8	1.6	1.4
Price/tangible book (x)	2.2	2.0	1.9	1.6	1.4
Price/tangible book @ target price (x)	2.5	2.3	2.1	1.9	1.6

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Srisawad Corp PCL (SAWAD TB)

FSSIA ESG rating



Exhibit 23: FSSIA ESG score implication

57.03 /100

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

Sources: FSSIA estimates

Exhibit 24: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings					Bloomberg		
		DJSI	SET ESG	SET ESG Rating	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	67.71	5.69	4.38	4.05	4.77	4.43	4.02	Medium	57.34	BBB	22.70	60.82	67.31	1.19	35.34
Coverage	66.17	5.16	4.33	3.94	4.81	4.43	3.83	Medium	56.41	BBB	18.92	59.20	65.82	1.38	35.46
MTC	59.64	--	Y	AAA	5.00	4.00	Certified	Medium	47.15	AA	--	62.28	40.00	--	--
SAK	39.73	--	Y	A	5.00	4.00	Certified	--	--	--	--	44.31	16.00	2.13	45.88
SAWAD	57.03	--	Y	AA	5.00	4.00	Declared	Medium	63.22	BBB	--	27.77	19.00	3.51	47.89
TIDLOR	30.91	--	--	--	--	4.00	Certified	Medium	--	--	--	43.52	19.00	1.90	39.47
TK	15.00	--	--	--	5.00	5.00	--	--	--	--	--	--	--	--	--

Sources: [SETTRADE.com](https://www.settrade.com); FSSIA's compilation

Exhibit 25: ESG score by Bloomberg

FY ending Dec 31	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
ESG financial materiality scores - ESG score	1.77	1.67	1.70	1.93	1.77	1.90	2.21	3.51
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.00	0.00	1.96	4.18
BESG social pillar score	0.87	0.74	0.87	1.07	1.07	1.27	1.39	3.41
BESG governance pillar score	4.66	4.62	4.39	4.77	4.09	4.12	3.98	3.45
ESG disclosure score	28.37	28.51	29.45	29.45	29.45	38.34	47.34	47.89
Environmental disclosure score	0.00	0.42	0.42	0.42	0.42	16.79	33.86	33.86
Social disclosure score	11.22	11.22	11.67	11.67	11.67	21.98	26.93	28.60
Governance disclosure score	73.72	73.72	76.10	76.10	76.10	76.10	81.10	81.10
Environmental								
Emissions reduction initiatives	No	No	No	No	No	Yes	Yes	Yes
Climate change policy	No	No	No	No	No	No	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	No	No	Yes	Yes	Yes
GHG scope 1	—	—	—	—	—	—	2	1
GHG scope 2 location-based	—	—	—	—	—	—	5	3
GHG Scope 3	—	—	—	—	—	—	0	0
Carbon per unit of production	—	—	—	—	—	—	—	—
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Total energy consumption	—	—	—	—	—	—	11	6
Renewable energy use	—	—	—	—	—	—	—	—
Electricity used	—	—	—	—	—	—	2	1
Fuel used - natural gas	—	—	—	—	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 26: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Fuel used - crude oil/diesel	No	No	No	No	No	No	No	No
Waste reduction policy	No	No	No	No	No	Yes	Yes	Yes
Hazardous waste	—	—	—	—	—	—	—	—
Total waste	—	—	—	—	—	—	0	0
Waste recycled	—	—	—	—	—	—	0	0
Waste sent to landfills	—	—	—	—	—	—	—	—
Environmental supply chain management	No	No	No	No	No	Yes	Yes	Yes
Water policy	No	No	No	No	No	Yes	Yes	Yes
Water consumption	—	—	—	—	—	—	0	0
Social								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No	No	No	No	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No	No	No	No	No
Pct women in workforce	—	—	—	—	—	—	54	52
Pct disabled in workforce	—	—	—	—	—	—	1	1
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Lost time incident rate - employees	—	—	—	—	—	—	—	—
Total recordable incident rate - employees	—	—	—	—	—	10	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	Yes
Number of employees – CSR	5,590	6,137	7,016	8,907	7,580	6,808	11,512	9,994
Employee turnover pct	—	—	—	—	—	3	32	42
Total hours spent by firm - employee training	—	—	—	—	—	23,574	5,165	96,462
Social supply chain management	No	No	No	No	No	Yes	Yes	Yes
Governance								
Board size	12	12	12	12	13	13	13	13
No. of independent directors (ID)	4	5	5	5	5	5	5	5
No. of women on board	2	1	1	1	1	1	1	1
No. of non-executive directors on board	9	9	9	9	9	9	9	9
Company conducts board evaluations	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	14	13	13	12	13	10	13	13
Board meeting attendance pct	—	—	88	88	88	98	92	93
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	—	—	—	—	—	—	43	44
Age of the oldest director	—	—	—	—	—	—	76	77
No. of executives / company managers	8	8	4	5	5	5	5	4
No. of female executives	2	1	1	2	2	2	2	2
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	5	5	5	4	4	5	6	5
Audit meeting attendance %	100	100	93	100	100	100	100	100
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	3	2	2	2	2	2	2	2
No. of compensation committee meetings	2	4	2	3	3	3	3	2
Compensation meeting attendance %	100	100	100	100	100	100	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	2	4	2	3	3	3	3	2
Nomination meeting attendance %	100	100	100	100	100	100	100	100
Sustainability governance								
Verification type	No	No	No	No	No	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.																				
SET ESG Ratings List (SETESG) by The Stock Exchange of Thailand (SET)	SET ESG 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 SETESG 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. SETESG Index is extended from the SET ESG Ratings companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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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

Nathapol Pongsukcharoenkul FSS International Investment Advisory Securities Co., Ltd

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

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Company	Ticker	Price	Rating	Valuation & Risks
Srisawad Corp	SAWAD TB	THB 39.75	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.
Muangthai Capital	MTC TB	THB 46.25	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Ngern Tid Lor	TIDLOR TB	THB 16.30	BUY	Downside risks to our GGM-based TP include 1) further weakening asset quality could potentially hit both loan yield and credit cost; 2) tighter supervision from related regulators; 3) intense competition in auto title loan and insurance brokerage market; and 4) lower support from major shareholders.
Saksiam Leasing	SAK TB	THB 4.70	BUY	Downside risks include 1) competition from existing and new players 2) regulatory changes by the Bank of Thailand (BoT) and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 123.00	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Krungthai Card	KTC TB	THB 50.25	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 9.90	HOLD	Upside risks include 1) a better-than-expected macroeconomic improvement; 2) downtrend of policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense. 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.
Ratchthani Leasing	THANI TB	THB 1.47	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 6.05	HOLD	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 17.90	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 2.80	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.

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 06-Jan-2025 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.