

# SRISAWAD CORP

THAILAND / FINANCE & SECURITIES

# SAWAD TB

# HOLD

UNCHANGED

TARGET PRICE	THB45.50
CLOSE	THB38.25
UP/DOWNSIDE	+19.0%
PRIOR TP	THB45.50
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+5.6%

## Expect net profit improvement in 4Q24

- We expect SAWAD to report a 4Q24 net profit of THB1.34b, +6% y-y and +3% q-q.
- Key drivers are 1) a lower loss from auto repossession; 2) a higher insurance brokerage fee; and 3) loan expansion.
- Maintain HOLD call with a 2025 TP of THB45.50.

### Net profit to be at THB1.34b in 4Q24E

We expect SAWAD to report a 4Q24 net profit of THB1.34b, +6% y-y and +3% q-q. The higher net profit for both y-y and q-q in 4Q24E is mainly due to 1) a lower loss from auto repossessions q-q at cTHB320m in 4Q24, following the active NPL write-offs since 2Q23; 2) a higher non-NII from insurance brokerage fees; and 3) loan expansion at 3% q-q, mainly from auto title loans.

### Loan growth resumption after funding hiccup

We estimate SAWAD's gross loans to grow 2% y-y and 3% q-q to THB98.9b in 4Q24. We expect that SAWAD will be able to resume loan expansion in 4Q24 after a funding hiccup in 3Q24. The products leading SAWAD's loan growth in 4Q24E are auto title loans and land title loans, in our view. Meanwhile, we believe SAWAD's motorcycle hire-purchase (HP) could contract q-q in 4Q24, as the company tries to control risk and clean the NPLs from this HP segment out from its balance sheet.

### Expect NPL ratio at 3.6% in 4Q24

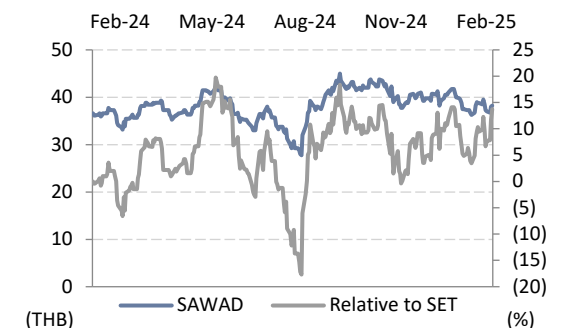
SAWAD's overall asset quality remains controllable, in our view. We estimate the NPL ratio to be around 3.6% in 4Q24 vs 3.5% in 3Q24 and 3.09% in 4Q23. Despite a higher NPL ratio y-y and q-q, we think the expected NPL ratio of 3.6% remains controllable compared to SAWAD's historical 10-year average NPL ratio at c4.0%. With a higher NPL ratio q-q, we expect SAWAD's credit cost to be at 2.25% in 4Q24, vs 2.0% in 3Q24 but improving from 2.8% in 4Q23. The improvement in credit cost y-y follows a lower NPL write-off burden, especially in the motorcycle HP segment.

### Maintain HOLD call with a 2025 TP of THB45.50

We maintain our HOLD call for SAWAD with a GGM-based TP of 45.50. Our TP implies 1.77x 2025E P/BV (COE of 10.2%, ROE 15%). We are positive on SAWAD's asset quality improvement in 2023-24. However, we expect slow loan growth, NIM contraction from a lower loan yield, and stock dividends could pressure SAWAD's ROE down to 15% by 2026.

## 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 (%)	-	(1.6)	(1.9)	(3.7)
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. (%)	-	-	-	-
EPS growth (%)	11.7	(6.9)	8.8	10.7
Core P/E (x)	10.5	11.3	10.4	9.4
Dividend yield (%)	0.3	0.9	1.0	1.1
Price/book (x)	1.9	1.7	1.5	1.3
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 (%)	(4.4)	(9.5)	6.5
Relative to country (%)	2.9	4.2	14.6
Mkt cap (USD m)	1,721		
3m avg. daily turnover (USD m)	6.0		
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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## 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 dividends 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.

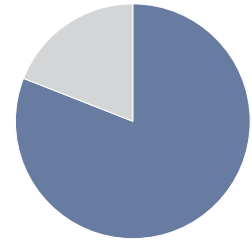
## Company profile

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

## Principal activities (revenue, 2023)

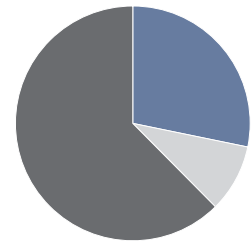
- Net interest income - 81.0 %
- Non-interest income - 19.0 %



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	15.38	15.48	15.54
Cost-to-income ratio	51.41	51.03	50.44
Credit cost	2.10	2.18	2.33
NPL ratio	3.60	3.75	3.90
ROE	16.86	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 net profit improvement in 4Q24

We expect SAWAD to report a 4Q24 net profit of THB1.34b, +6% y-y and +3% q-q. The higher net profit for both y-y and q-q in 4Q24E is mainly due to 1) a lower loss from auto repossessions q-q at cTHB320m in 4Q24, following the active NPL write-offs since 2Q23; 2) a higher non-NII from insurance brokerage fees; and 3) loan expansion at 3% q-q, mainly from auto title loans.

SAWAD's overall asset quality remains controllable, in our view. We estimate the NPL ratio to be around 3.6% in 4Q24 vs 3.5% in 3Q24 and 3.09% in 4Q23. Despite a higher NPL ratio y-y and q-q, we think the expected NPL ratio of 3.6% remains controllable compared to the company's target of 3.5-4.0% and SAWAD's historical 10-year average NPL ratio at c4.0%.

With a higher NPL ratio q-q, we expect SAWAD's credit cost to be at 2.25% in 4Q24, vs 2.0% in 3Q24 but improving from 2.8% in 4Q23. The improvement in credit cost y-y follows a lower NPL write-off burden, especially in the motorcycle HP segment. Nonetheless, the risk of a higher credit cost for SAWAD in the future remains, in our view, on the back of a low NPL coverage ratio of only 61% in 4Q24E, which is the lowest among Thai consumer finance companies under our coverage.

For the full year, we expect SAWAD's net profit to be cTHB5.17b, +3.4% y-y.

## Loan growth resumption after funding hiccup

We estimate SAWAD's gross loans to grow 2% y-y and 3% q-q to THB98.9b in 4Q24. We expect that SAWAD will be able to resume loan expansion in 4Q24 after a funding hiccup in 3Q24. The products leading SAWAD's loan growth in 4Q24E are auto title loans and land title loans, in our view. Meanwhile, we believe SAWAD's motorcycle HP could contract q-q in 4Q24, as the company tries to control risk and clean the NPLs from this HP segment out from its balance sheet.

## NIM to increase q-q but decrease y-y

We expect the 4Q24 NIM to be at 15.26% (-76bp y-y, +23bp q-q). We believe the yield improvement q-q is mainly due to loan expansion in auto title and land title loans. However, we still see headwinds in SAWAD's overall loan yield from the maturity of high-yield motorcycle HP loans with a 30%+ yield which originated before 2023 (the first year of the HP loan yield ceiling). This would be the major reason for a sharp drop in the average loan yield as well as NIM y-y, we believe.

Meanwhile, we estimate SAWAD's funding cost to be at 4.51% in 4Q24 (+3bp q-q). Going forward, [with the recently assigned rating of A- \(tha\) from Fitch Thailand](#), we expect the funding cost for SAWAD to peak around 3Q25 before gradually decreasing from the cheaper debenture issuance with the A- (tha) rating. Note that there are THB16b worth of SAWAD's debentures that will mature in 2025 (equivalent to 20% of SAWAD's total funding).

## Improvements in non-NII and loss from auto repossessions

We forecast non-NII for SAWAD to be at THB849m in 4Q24, +11% y-y and +7% q-q. The key driver for higher non-NII would be the higher income from motor insurance brokerage fees, which should be in line with the auto title loan expansion.

On the other hand, we expect the 4Q24 cost-to-income ratio to be at 49.3%, improving from 51.1% in 3Q24 and 50% in 4Q23. The major reason for the lower ratio, in our view, is a lower loss from auto repossessions in the motorcycle HP business to around THB320m vs THB360m in 3Q24 and THB434m in 4Q23. With more prudent new underwriting for motorcycle HP loans and active NPL write-offs since 2Q23, we expect a gradually lower loss from auto repossessions going forward.

At the operating level, pre-provisioning operating profit (PPOP) for SAWAD in 4Q24 would be THB2.31b, +1.3% y-y and 6.1% q-q, based on our estimates.

## Exhibit 1: SAWAD – 4Q24E operating summary

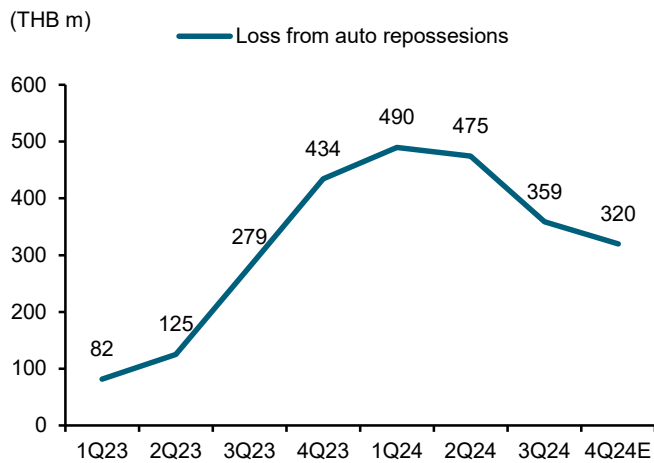
Profit and loss	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	Change		12M24E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)
Interest income	4,647	4,546	4,595	4,662	4,478	4,534	-0.3	1.3	18,269	16.0
Interest expense	690	749	789	793	813	815	8.8	0.3	3,210	41.7
<b>Net interest income</b>	<b>3,956</b>	<b>3,797</b>	<b>3,806</b>	<b>3,869</b>	<b>3,665</b>	<b>3,719</b>	<b>-2.0</b>	<b>1.5</b>	<b>15,059</b>	<b>11.7</b>
Non-interest income	605	767	818	666	796	849	10.6	6.7	3,128	-1.3
Non-interest expenses	2,447	2,281	2,492	2,325	2,280	2,254	-1.2	-1.1	9,351	12.9
<b>Pre-provision profits</b>	<b>2,115</b>	<b>2,283</b>	<b>2,131</b>	<b>2,210</b>	<b>2,181</b>	<b>2,314</b>	<b>1.3</b>	<b>6.1</b>	<b>8,836</b>	<b>5.6</b>
Provisioning expense	316	664	486	537	488	549	-17.3	12.7	2,060	16.8
Profit before tax	1,800	1,619	1,645	1,673	1,693	1,765	9.0	4.2	6,776	2.6
Tax expense	375	333	367	352	328	353	6.0	7.7	1,400	1.8
<b>Net profit</b>	<b>1,387</b>	<b>1,265</b>	<b>1,261</b>	<b>1,265</b>	<b>1,301</b>	<b>1,342</b>	<b>6.1</b>	<b>3.2</b>	<b>5,168</b>	<b>3.4</b>

Key drivers and ratios	3Q23	4Q23	1Q24	2Q24	3Q24	4Q24E	Change		12M24E	Change
% unless stated otherwise	(%)	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(THB m)	(ppt)
Gross loans (THB m)	92,565	97,109	98,666	98,929	96,157	98,857	1.8%	2.8%	98,857	1.80
Yield on loans	20.69	19.17	18.78	18.88	18.36	18.60	-0.57	0.24	18.65	-1.04
Cost of funds	4.04	4.17	4.20	4.20	4.48	4.51	0.34	0.03	4.35	0.54
Net interest margin	17.62	16.01	15.55	15.66	15.03	15.26	-0.76	0.23	15.38	-1.55
Cost-to-income ratio	53.63	49.97	53.90	51.28	51.11	49.34	-0.62	-1.77	51.41	1.84
Credit cost	1.41	2.80	1.99	2.17	2.00	2.25	-0.55	0.25	2.10	-0.05
NPL ratio	2.73	3.09	3.23	3.40	3.49	3.60	0.51	0.11	3.60	0.51
NPL coverage	50.22	53.55	55.60	59.82	61.10	60.66	7.12	-0.44	60.66	7.12

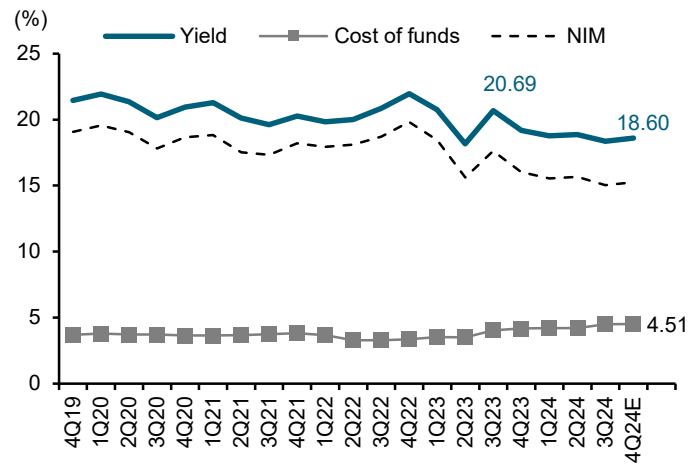
Sources: SAWAD, FSSIA estimates

## Exhibit 2: SAWAD's loss from auto repossessions – peak has passed



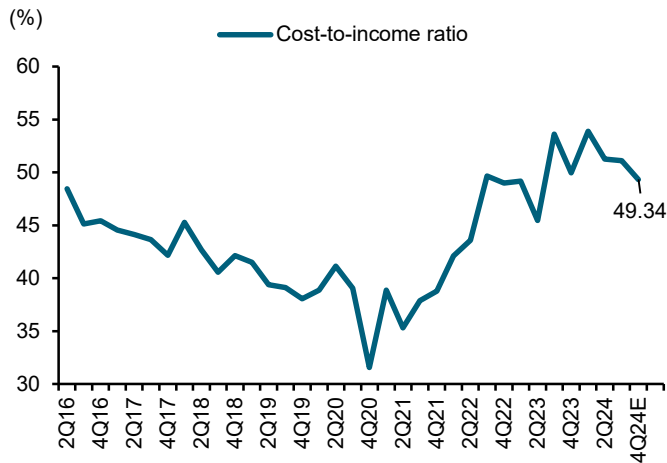
Sources: SAWAD, FSSIA estimates

## Exhibit 3: Quarterly yield, cost of funds and NIM



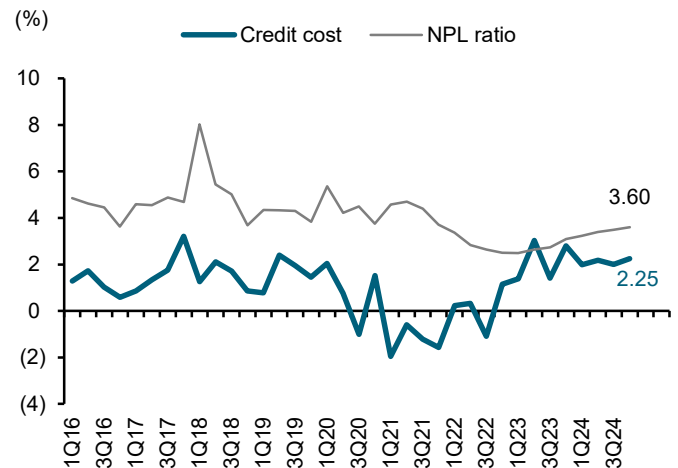
Sources: SAWAD, FSSIA estimates

Exhibit 4: Cost-to-income ratio – c49.3% in 4Q24E



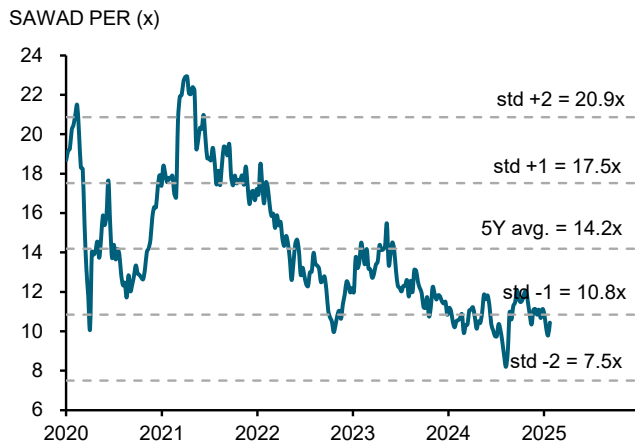
Sources: SAWAD, FSSIA estimates

Exhibit 5: NPL ratio and credit cost



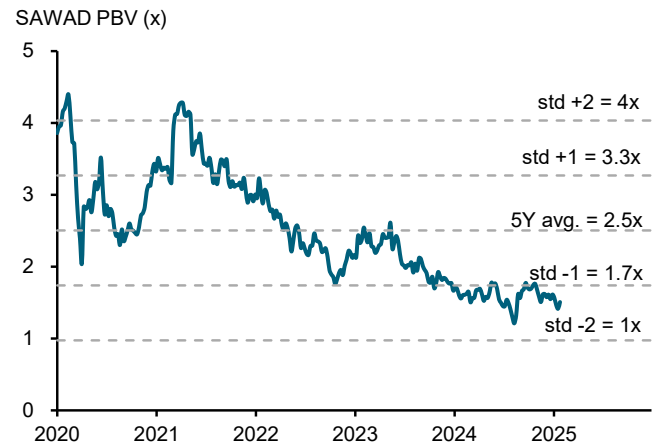
Sources: SAWAD, FSSIA estimates

Exhibit 6: SAWAD – one-year prospective P/E band



Sources: Bloomberg, FSSIA estimates

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



Sources: Bloomberg, FSSIA estimates

Exhibit 8: Peers comparison, as of 5 February 2025

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE 24E (x)	PE 25E (x)	PBV 24E (x)	PBV 25E (x)	ROE 24E (%)	ROE 25E (%)	Div yld 24E (x)	Div yld 25E (x)
<b>Auto title</b>													
Muangthai Capital	MTC TB	BUY	44.00	60.00	36.4	15.6	12.1	2.5	2.1	17.2	18.9	1.0	1.2
Srisawad Corp	SAWAD TB	HOLD	38.25	45.50	19.0	11.3	10.4	1.7	1.5	16.6	15.5	0.9	1.0
Ngern Tid Lor	TIDLOR TB	BUY	17.30	20.50	18.5	12.1	10.2	1.6	1.4	13.7	14.6	3.3	1.5
Saksiam Leasing	SAK TB	BUY	4.10	5.28	28.8	10.3	9.1	1.4	1.3	13.7	14.4	4.1	4.6
<b>Unsecured finance</b>													
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	114.00	142.00	24.6	9.6	8.8	1.1	1.0	11.7	11.9	4.4	4.8
Krungthai Card	KTC TB	HOLD	51.50	43.00	(16.5)	17.8	17.8	3.3	3.0	19.8	17.9	2.5	2.5
<b>Hire-purchase truck</b>													
Asia Sermkij Leasing	ASK TB	HOLD	8.25	11.00	33.3	9.8	7.7	0.4	0.4	4.2	5.3	5.1	6.5
Ratchthani Leasing	THANI TB	HOLD	1.26	1.78	41.3	8.0	7.1	0.6	0.6	7.2	8.0	6.8	7.8
<b>AMCs</b>													
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	5.85	9.00	53.8	14.1	11.8	0.4	0.4	3.1	3.6	5.7	6.8
JMT Network services	JMT TB	HOLD	14.20	17.00	19.7	12.5	10.3	0.8	0.7	6.2	7.4	4.8	5.9
Chayo Group	CHAYO TB	BUY	2.34	4.00	70.9	9.5	5.5	0.7	0.6	7.9	11.8	2.8	2.7
<b>Average</b>						<b>11.9</b>	<b>10.1</b>	<b>1.3</b>	<b>1.2</b>	<b>11.0</b>	<b>11.8</b>	<b>3.8</b>	<b>4.1</b>

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
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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
<b>Income Breakdown</b>					
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
<b>Operating performance</b>					
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	-	-	-	-	-
<b>Net customer loans</b>	<b>54,614</b>	<b>95,503</b>	<b>96,698</b>	<b>107,702</b>	<b>119,080</b>
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
<b>Total assets</b>	<b>69,482</b>	<b>111,465</b>	<b>114,051</b>	<b>125,784</b>	<b>139,419</b>
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	-	-	-	-	-
<b>Total liabilities</b>	<b>40,477</b>	<b>80,268</b>	<b>77,287</b>	<b>83,452</b>	<b>90,915</b>
Share capital	1,373	1,373	1,510	1,510	1,510
Reserves	24,289	26,804	31,911	36,973	42,584
<b>Total equity</b>	<b>25,662</b>	<b>28,177</b>	<b>33,422</b>	<b>38,483</b>	<b>44,095</b>
Non-controlling interest	3,342	3,020	3,342	3,848	4,409
<b>Total liabilities &amp; equity</b>	<b>69,482</b>	<b>111,465</b>	<b>114,051</b>	<b>125,784</b>	<b>139,419</b>
<b>Supplementary items</b>					
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)	-	-	-	-	-
<b>Per share (THB)</b>					
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
<b>Growth</b>					
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
<b>Leverage &amp; capital measures</b>					
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 (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
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 (%)	-	-	-	-	-
<b>Valuation</b>					
Recurring P/E (x) *	11.7	10.5	11.3	10.4	9.4
Recurring P/E @ target price (x) *	14.0	12.5	13.4	12.3	11.1
Reported P/E (x)	11.7	10.5	11.3	10.4	9.4
Dividend yield (%)	4.7	0.3	0.9	1.0	1.1
Price/book (x)	2.0	1.9	1.7	1.5	1.3
Price/tangible book (x)	2.1	1.9	1.8	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


**57.03 /100**

### Exhibit 9: FSSIA ESG score implication

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

Sources: FSSIA estimates

### Exhibit 10: 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 11: ESG score by Bloomberg

FY ending Dec 31	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>ESG financial materiality scores - ESG score</b>	<b>1.77</b>	<b>1.67</b>	<b>1.70</b>	<b>1.93</b>	<b>1.77</b>	<b>1.90</b>	<b>2.21</b>	<b>3.51</b>
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
<b>ESG disclosure score</b>	<b>28.37</b>	<b>28.51</b>	<b>29.45</b>	<b>29.45</b>	<b>29.45</b>	<b>38.34</b>	<b>47.34</b>	<b>47.89</b>
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
<b>Environmental</b>								
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 12: 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
<b>Social</b>								
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
<b>Governance</b>								
<b>Board size</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>12</b>	<b>13</b>	<b>13</b>	<b>13</b>	<b>13</b>
<b>No. of independent directors (ID)</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
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
<b>No. of executives / company managers</b>	<b>8</b>	<b>8</b>	<b>4</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>4</b>
No. of female executives	2	1	1	2	2	2	2	2
Executive share ownership guidelines	No	No	No	No	No	No	No	No
<b>Size of audit committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
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
<b>Size of compensation committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
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
<b>Size of nomination committee</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
No. of nomination committee meetings	2	4	2	3	3	3	3	2
Nomination meeting attendance %	100	100	100	100	100	100	100	100
<b>Sustainability governance</b>								
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 ( <a href="#">DJSI</a> ) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																			
SET ESG Ratings List ( <a href="#">SETESG</a> ) by The Stock Exchange of Thailand ( <a href="#">SET</a> )	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 <b>SETESG inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETESG Index</b> 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.																			
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																			
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																			
<a href="#">Thai CAC</a> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																			
<a href="#">Morningstar Sustainalytics</a>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
NEGL	Low	Medium	High	Severe																	
0-10	10-20	20-30	30-40	40+																	
<a href="#">ESG Book</a>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																			
<a href="#">MSCI</a>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td><b>AAA</b></td><td>8.571-10.000</td><td rowspan="3"><b>Leader:</b></td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td><b>AA</b></td><td>7.143-8.570</td></tr><tr><td><b>A</b></td><td>5.714-7.142</td></tr><tr><td><b>BBB</b></td><td>4.286-5.713</td><td rowspan="3"><b>Average:</b></td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td><b>BB</b></td><td>2.857-4.285</td></tr><tr><td><b>B</b></td><td>1.429-2.856</td></tr><tr><td><b>CCC</b></td><td>0.000-1.428</td><td><b>Laggard:</b></td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570	<b>A</b>	5.714-7.142	<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285	<b>B</b>	1.429-2.856	<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks
<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities																		
<b>AA</b>	7.143-8.570																				
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<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks																		
<a href="#">Moody's ESG solutions</a>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																				
<a href="#">Refinitiv ESG rating</a>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																				
<a href="#">S&amp;P Global</a>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																				
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																			
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																			

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

Source: FSSIA's compilation

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#### Nathapol Pongsukcharoenkul FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Srisawad Corp	SAWAD TB	THB 38.25	HOLD	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board. Upside risks include 1) a faster-than-expected decline in losses on sales of repossessed cars for SCAP; and 2) an interest rate downtrend could push its interest spread.
Muangthai Capital	MTC TB	THB 44.00	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Ngern Tid Lor	TIDLOR TB	THB 17.30	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 4.10	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 114.00	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 51.50	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Asia Sermkij Leasing PCL	ASK TB	THB 8.25	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 1.26	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 5.85	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 14.20	HOLD	Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks include 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense
Chayo Group	CHAYO TB	THB 2.34	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 05-Feb-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.