

SC ASSET CORPORATION  
THAILAND / PROPERTY DEVELOPMENT

## SC TB

BUY

UNCHANGED

## โครงการใหม่ช่วยผลักดันยอด Presales ใน 2Q23

- ยอด Presales ของ SC ใน 2Q23 คาดเพิ่มขึ้น 44% q-q และ 5% y-y เป็น 7.1 พันลบ. หนูนจาก 8 โครงการใหม่ มูลค่ารวม 16 พันลบ.
- กำไร 2Q23 มีโอกาสอ่อนลงเนื่องจากบริษัท เปิดตัวโครงการใหม่ในช่วงท้ายของไตรมาส
- เรคาดกำไรสุทธิ 2023 ที่ 2.6 พันลบ. (+3% y-y) เรคาดแนะนำซื้อ ราคาเป้าหมาย 5 บาท ซึ่งมี Upside 12%

TARGET PRICE	THB5.00
CLOSE	THB4.48
UP/DOWNSIDE	+11.6%
PRIOR TP	THB5.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+2.0%

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Revenue	21,583	23,225	23,613	24,367
Net profit	2,556	2,636	2,710	2,784
EPS (THB)	0.61	0.63	0.65	0.67
vs Consensus (%)	-	(1.3)	(5.0)	(5.6)
EBITDA	3,453	3,601	3,709	3,858
Core net profit	2,597	2,636	2,710	2,784
Core EPS (THB)	0.62	0.63	0.65	0.67
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	28.2	1.5	2.8	2.8
Core P/E (x)	7.2	7.1	6.9	6.7
Dividend yield (%)	5.5	5.6	5.7	5.9
EV/EBITDA (x)	13.1	13.2	12.5	11.7
Price/book (x)	0.9	0.8	0.8	0.7
Net debt/Equity (%)	121.5	122.3	110.4	97.9
ROE (%)	12.4	11.7	11.3	10.8

## เปิดตัว 2 แปรนต์ใหม่ใน 2 กลุ่มลูกค้าที่ต่างกัน

ใน 2Q23 SC เปิดตัว 2 โครงการภายใต้แบรนด์ใหม่ในงานเปิดตัวเมื่อวันที่ 24 มิ.ย. เป็นโครงการ Ultra-Luxury แนวราบซึ่งตั้งอยู่บนแนวเลียบด่วนเอกมัย - รามอินทรา มูลค่าโครงการ 1 พันลบ. และราคาเฉลี่ยอยู่ที่ 100 ลบ.ต่อหน่วย โดย SC สามารถขายได้ 4 จาก 10 หน่วยตามเป้าหมายของบริษัทฯ ขณะที่อีกโครงการคือ COBE Ratchada-Rama 9 มูลค่า 6 พันลบ. เป็นคอนโดสำหรับคนรุ่นใหม่ในกลุ่มที่มีราคา Affordable ราคาขาย 100k-150k บาท/ตรม. (เริ่มต้น 2.39 ลบ.ต่อหน่วย) โดยโครงการดังกล่าวมีอัตราการจองที่ 16% (เทียบกับเป้าหมายที่ 27% ณ สิ้นปี 23) นอกจากนี้ผู้ซื้อในประเทศแล้ว คอนโดดังกล่าวยังตอบสนองความต้องการต่างประเทศซึ่งน่าจะฟื้นตัวในช่วง 2H23 ซึ่งคาดว่าจะช่วยผลักดันยอดขายโครงการได้เนื่องจากทำเลดังกล่าวได้รับความนิยมในกลุ่มชาวจีน ทั้งนี้ บริษัทฯ จะเริ่มรับรู้โครงการคอนโดดังกล่าวใน 4Q25

## 2Q23 ยอดขายโครงการคาดเพิ่มขึ้น แต่กำไรมีโอกาสอ่อนลง

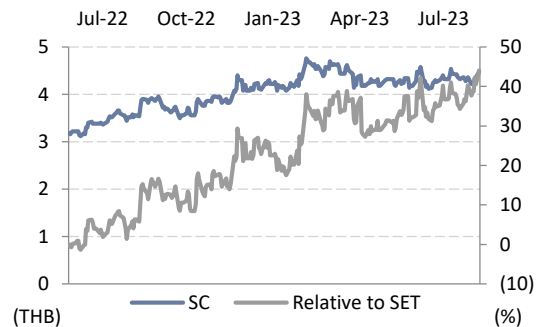
เรคาดว่า SC จะรายงานยอด Presales 2Q23 ที่ 7.1 พันลบ. (+44% q-q, +5% y-y) แบ่งเป็นโครงการแนวราบ 78% และคอนโด 22% ซึ่งได้แรงหนุนจาก 8 โครงการใหม่ มูลค่ารวม 16 พันลบ. (เทียบกับ 1 โครงการ มูลค่า 930 ลบ.ใน 1Q23) ทำให้ยอด Presales 1H23 จะเท่ากับ 1H22 ที่ 12 พันลบ. ซึ่งคิดเป็น 40% ของเป้าหมายของบริษัทฯ ในปี 2023 ที่ 30 พันลบ. (+23% y-y) ขณะที่โครงการใหม่ที่จะเปิดตัวในช่วง 2H23 มูลค่ารวม 25 พันลบ. (+46% h-h) จะช่วยขับเคลื่อนยอด Presales ต่อเนื่อง อย่างไรก็ตาม ยอดขายโครงการจะเพิ่มใน 2Q23 แต่หากพิจารณาจากโอกาสเพิ่มเพียงเล็กน้อย q-q แต่ลดลง y-y เนื่องจากบริษัทฯ เปิดตัวโครงการใหม่ส่วนใหญ่ตั้งแต่ปลายเดือนพ.ค. ถึง มิ.ย. เบื้องต้นเราประเมินกำไรสุทธิ 2Q23 จะชะลอเล็กน้อยอยู่ที่ 520-560 ลบ. (เทียบกับ 535 ลบ.ใน 1Q23 และ 581 ลบ.ใน 2Q22)

## การขยายธุรกิจเป็นไปตามแผน

นอกจากโครงการที่อยู่อาศัยแล้ว ล่าสุด SC ได้เข้าร่วมลงทุน JV ร่วมกับ Tokyo Tatemono Asia Pte Ltd. (TTA) ซึ่งเป็นบริษัทพัฒนาอสังหาริมทรัพย์ญี่ปุ่นเพื่อพัฒนาคอนโดชื่อ Reference Sathorn-Wongwianyai มูลค่า 4 พันลบ. ซึ่ง SC ถือหุ้น 55% โดยบริษัทฯ จะเริ่มรับรู้จากโครงการดังกล่าวใน 4Q24 ในส่วนความคืบหน้าของธุรกิจที่สร้างรายได้ประจำ SC เปิดโรงแรมแห่งแรกชื่อ YANH Ratchawat เมื่อวันที่ 1 มิ.ย. ซึ่งมีห้องพัก 79 ห้องและอัตราการเข้าพักในปัจจุบันที่ 50%

## คำแนะนำซื้อที่ราคาเป้าหมาย 5 บาท

ปัจจุบันหุ้นมีการซื้อขาย P/E 2023E เท่ากับ 7.1x ขณะที่เรคาดว่าหุ้นจะจ่ายเงินปันผลที่ 0.09 บาท/หุ้น คิดเป็นอัตราผลตอบแทนปันผลที่ 2% สำหรับผลประกอบการในรอบ 1H23 และคาดให้ผลตอบแทนปันผลที่ 5.6% ในปี 2023



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	3.7	5.2	38.3
Relative to country (%)	5.4	11.3	43.2
Mkt cap (USD m)			543
3m avg. daily turnover (USD m)			1.0
Free float (%)			39
Major shareholder		Shinawatra Family (64%)	
12m high/low (THB)			4.78/3.10
Issued shares (m)			4,222.62

Sources: Bloomberg consensus; FSSIA estimates



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### Investment thesis

SC has a strong market position, especially in the high-priced housing segment with unit prices above THB10m. In terms of revenue, SC generates 96% from real estate sales, especially in landed property. The remaining 4% is rental and service income from office buildings, serviced apartments, consulting and management.

SC's total revenue base has ranged between THB18b-THB20b per annum since 2019. For the next five-year plan, SC targets total revenue of TH25b. Moreover, it plans to enlarge its proportion of recurring income to 20% from investing in various types of assets, for example, hotels and warehouses.

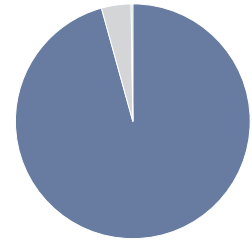
### Company profile

SC operates in three segments including property development for sale, rental, and consulting and management services. It generates most of its revenue from real estate sales such as single-detached houses, townhouses, home offices, and condominiums.

[www.scasset.com](http://www.scasset.com)

### Principal activities (revenue, 2022)

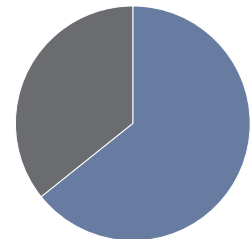
- Project sales - 95.7 %
- Rental and services - 4.1 %
- Consulting and management - 0.2 %



Source: SC Asset Corporation

### Major shareholders

- Shinawatra Family - 64.3 %
- Others - 35.7 %



Source: SC Asset Corporation

### Catalysts

Key potential growth drivers include 1) the success of new launches, especially in the high-priced residential segment with unit prices above THB10m; 2) the aggressive launches planned for 2023; 3) efficient cost management; and 4) the economic recovery and more overseas customers.

### Risks to our call

Downside risks to our P/E-based TP include 1) weaker-than-expected take-up rates of new launches; 2) weak purchasing power; 3) cancellation of presales; 4) bank loan rejections; and 5) construction delays.

### Event calendar

Date	Event
9 August 2023	2Q23 results announcement

### Key assumptions

	2023E	2024E	2025E
Project sales (THB m)	21,169	21,626	21,999
Rental and services income (THB m)	884	926	969
Property GPM (%)	30.4	31.0	31.4
GPM (%)	31.6	32.3	32.6
SG&A to sales (%)	17.0	17.2	17.4

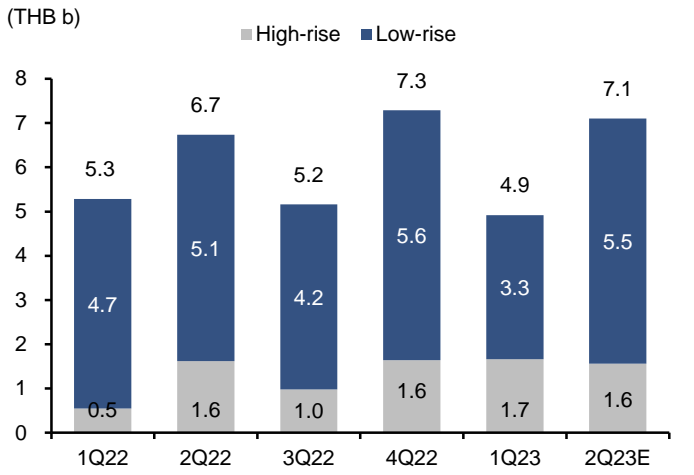
Source: FSSIA estimates

### Earnings sensitivity

- For every 5% increase in transfers, we estimate 2023 net profit to rise by 4.5%, and vice versa, all else being equal.
- For every 0.5% increase in property GPM, we estimate 2023 net profit to rise by 3%, and vice versa, all else being equal.
- For every 0.5% increase in SG&A, we estimate 2023 net profit to fall by 3.5%, and vice versa, all else being equal.

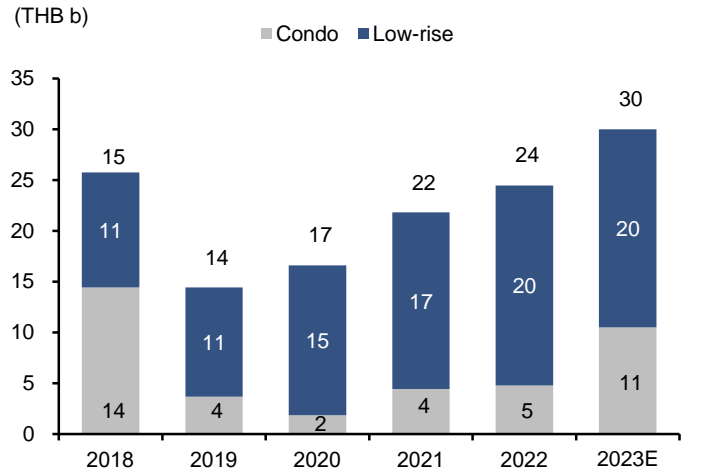
Source: FSSIA estimates

**Exhibit 1: Quarterly presales**



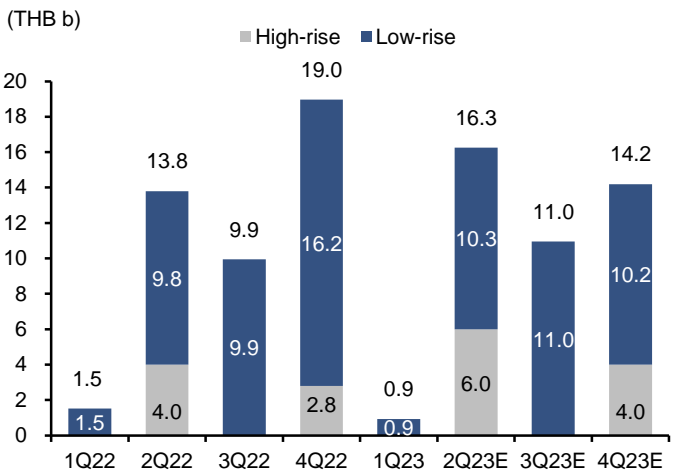
Sources: SC; FSSIA's compilation

**Exhibit 2: Yearly presales and 2023 target**



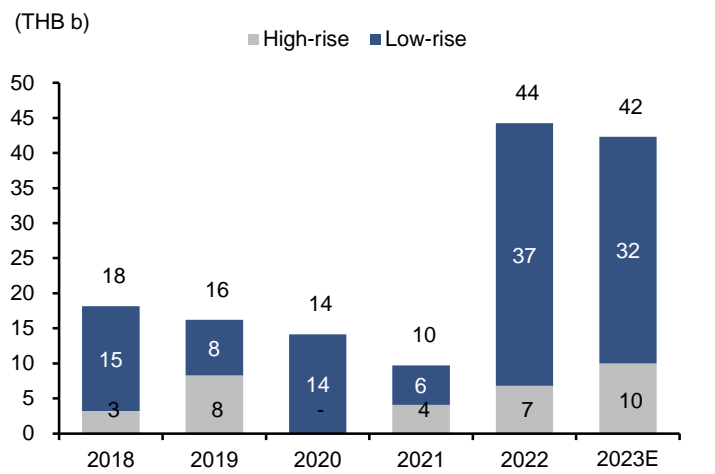
Sources: SC; FSSIA's compilation

**Exhibit 3: Quarterly new launches**



Sources: SC; FSSIA's compilation

**Exhibit 4: Yearly planned new launches**



Sources: SC; FSSIA's compilation

**Exhibit 5: New projects under new brands in 2Q23**

**NEW BRAND 95E1**  
(NINETY-FIVE EAST ONE)

Total Unit	: 10 units
Project Value	: 1,010 MB
Price range	: 100 MB
Opening Date	: 24 JUN 2023

**NEW BRAND COBE**  
RATCHADA - RAMA 9

Total Unit	: 1,620 units* (*Ind. 8 shops)
Project Value	: 6,000 MB
Start	: 2.39 MB (100K-150K /sq.m)
Opening Date	: 24 JUN 2023
Start Transfer	: 4Q'25

Source: SC

Exhibit 6: 95E1



Source: SC

Exhibit 7: 95E1 location



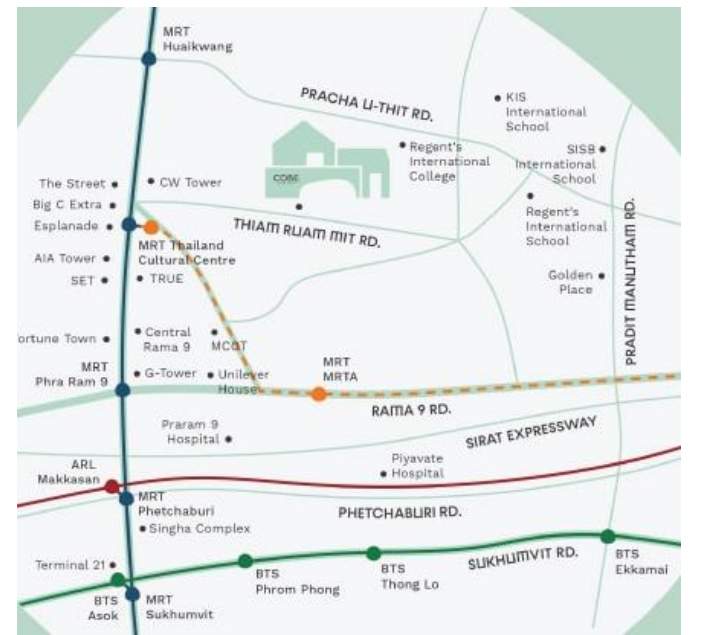
Source: SC

Exhibit 8: Facilities in COBE Ratchada-Rama 9



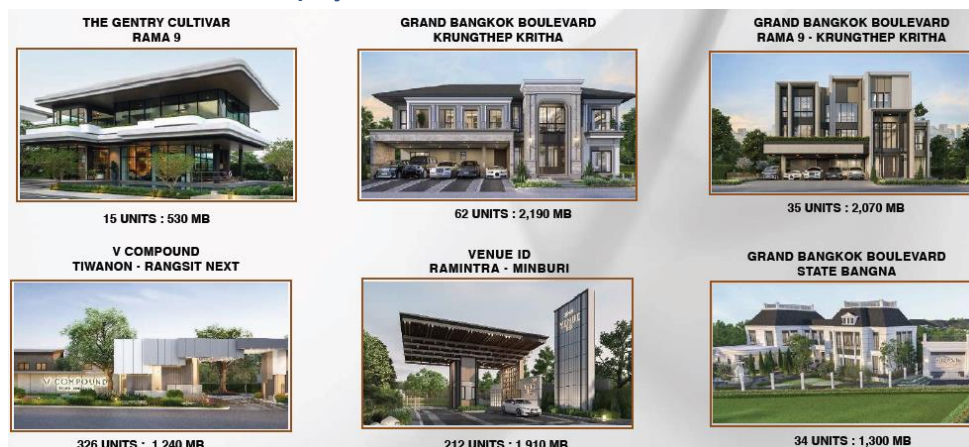
Source: SC

Exhibit 9: COBE Ratchada-Rama 9 location



Source: SC

**Exhibit 10: New low-rise projects in 2Q23**



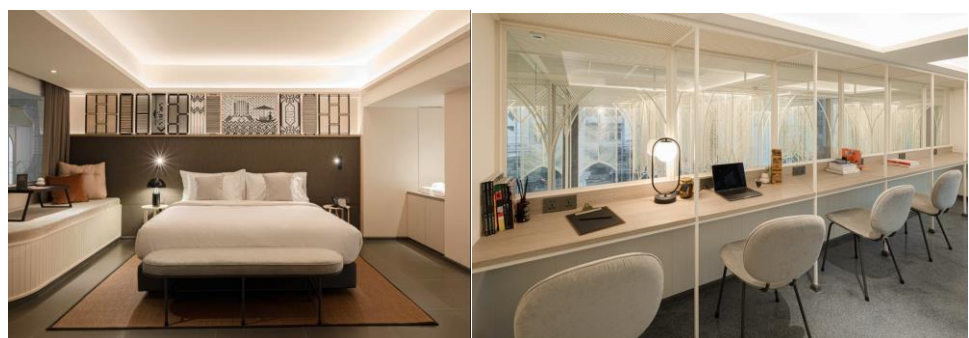
Source: SC

**Exhibit 11: New launch plans for 2023**

Period	No.	Product	Project	Total units (no.)	Total value (THB m)
1Q23	1	SDH	Bangkok Boulevard Signature Westgate	42	930
2Q23	2	SDH	The Gentry Cultivar Rama 9	15	470
	3	SDH	Grand Bangkok Boulevard Krungthep Kritha	62	2,070
	4	SDH	Grand Bangkok Boulevard Rama 9 - Krungthep Kritha	35	1,960
	5	SDH	95E1 Ninety-Five East One	10	970
	6	SDH/TH	V COMPOUND Tiwanon - Rangsit Next	326	1,280
	7	SDH	VENUE ID Ramintra - Minburi	212	1,860
	8	SDH	Grand Bangkok Boulevard State Bangna	34	1,150
	9	CONDO	New Brand Tiam Ruam Mitr	1,612	5,500
	3Q23	10	SDH	The Gentry Sukhumvit - Bangna	17
11		SDH	Grand Bangkok Boulevard Pinklao - Kanchana	52	2,320
12		SDH	Grand Bangkok Boulevard Yard Bangna	31	860
13		SDH	Bangkok Boulevard Signature Pinklao - Borom	47	1,250
14		SDH	Bangkok Boulevard Signature Sathorn - Pinklao	73	1,700
15		SDH	Bangkok Boulevard Ratchaphruek - Pinklao	77	1,300
16		SDH	VENUE ID Rangsit - Pratumthani	417	1,320
17		SDH	Bangkok Boulevard Westgate Station	51	480
4Q23	18	SDH	VENUE ID Ratchaphruek 345	209	2,160
	19	SDH/TH	V COMPOUND Ratchaphruek 345	116	750
	20	SDH	Grand Bangkok Boulevard Chiangwattana - Ratchaphruek	69	2,150
	21	SDH	Bangkok Boulevard Signature Bangkhae	61	1,600
	22	SDH	Bangkok Boulevard Signature Ramintra - Watcharapol	49	600
	23	SDH	Bangkok Boulevard Signature Bangna Km.15	89	2,290
	24	CONDO	New Brand Sripratum	408	1,400
	25	CONDO	SCOPE Prasarnmitr	74	2,600
<b>Total</b>				<b>4,188</b>	<b>40,000</b>

Sources: SC; FSSIA's compilation

**Exhibit 12: YANH Ratchawat**



Source: YANH Ratchawat hotel website

## Financial Statements

SC Asset Corporation

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Revenue	19,475	21,583	23,225	23,613	24,367
Cost of goods sold	(13,482)	(14,414)	(15,650)	(15,836)	(16,322)
<b>Gross profit</b>	<b>5,993</b>	<b>7,169</b>	<b>7,575</b>	<b>7,777</b>	<b>8,044</b>
Other operating income	41	102	60	60	70
Operating costs	(3,336)	(3,910)	(4,218)	(4,321)	(4,459)
<b>Operating EBITDA</b>	<b>2,846</b>	<b>3,453</b>	<b>3,601</b>	<b>3,709</b>	<b>3,858</b>
Depreciation	(149)	(92)	(184)	(193)	(203)
Goodwill amortisation	0	0	0	0	0
<b>Operating EBIT</b>	<b>2,697</b>	<b>3,361</b>	<b>3,417</b>	<b>3,516</b>	<b>3,655</b>
Net financing costs	(104)	(134)	(170)	(167)	(167)
Associates	(27)	55	123	92	46
Recurring non-operating income	(27)	55	123	92	46
Non-recurring items	37	(41)	0	0	0
<b>Profit before tax</b>	<b>2,603</b>	<b>3,241</b>	<b>3,370</b>	<b>3,441</b>	<b>3,535</b>
Tax	(552)	(678)	(682)	(703)	(733)
<b>Profit after tax</b>	<b>2,051</b>	<b>2,563</b>	<b>2,688</b>	<b>2,738</b>	<b>2,802</b>
Minority interests	11	(7)	(52)	(28)	(18)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
<b>Reported net profit</b>	<b>2,062</b>	<b>2,556</b>	<b>2,636</b>	<b>2,710</b>	<b>2,784</b>
<b>Non-recurring items &amp; goodwill (net)</b>	<b>(37)</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Recurring net profit</b>	<b>2,025</b>	<b>2,597</b>	<b>2,636</b>	<b>2,710</b>	<b>2,784</b>
<b>Per share (THB)</b>					
Recurring EPS *	0.48	0.62	0.63	0.65	0.67
Reported EPS	0.49	0.61	0.63	0.65	0.67
DPS	0.20	0.25	0.25	0.26	0.26
Diluted shares (used to calculate per share data)	4,180	4,180	4,180	4,180	4,180
<b>Growth</b>					
Revenue (%)	2.6	10.8	7.6	1.7	3.2
Operating EBITDA (%)	3.5	21.3	4.3	3.0	4.0
Operating EBIT (%)	3.7	24.6	1.7	2.9	4.0
Recurring EPS (%)	5.0	28.2	1.5	2.8	2.8
Reported EPS (%)	8.7	24.0	3.1	2.8	2.8
<b>Operating performance</b>					
Gross margin inc. depreciation (%)	30.8	33.2	32.6	32.9	33.0
Gross margin exc. depreciation (%)	31.5	33.6	33.4	33.8	33.8
Operating EBITDA margin (%)	14.6	16.0	15.5	15.7	15.8
Operating EBIT margin (%)	13.8	15.6	14.7	14.9	15.0
Net margin (%)	10.4	12.0	11.4	11.5	11.4
Effective tax rate (%)	21.2	20.9	20.2	20.4	20.7
Dividend payout on recurring profit (%)	41.3	39.8	39.6	39.6	39.6
Interest cover (X)	25.8	25.6	20.8	21.6	22.2
Inventory days	865.9	963.1	1,058.5	1,108.1	1,082.4
Debtor days	3.1	2.2	2.7	3.5	3.4
Creditor days	17.0	32.6	43.6	43.7	43.5
Operating ROIC (%)	7.2	7.6	6.5	6.4	6.6
ROIC (%)	5.6	6.1	5.5	5.3	5.4
ROE (%)	10.5	12.4	11.7	11.3	10.8
ROA (%)	4.5	5.1	4.7	4.6	4.6
* Pre-exceptional, pre-goodwill and fully diluted					
<b>Revenue by Division (THB m)</b>					
Project sales	18,612	20,654	22,252	22,621	23,337
Rental and services	816	880	924	942	980
Consulting and management	47	49	50	50	50

Sources: SC Asset Corporation; FSSIA estimates

## Financial Statements

### SC Asset Corporation

Cash Flow (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Recurring net profit	2,025	2,597	2,636	2,710	2,784
Depreciation	149	92	184	193	203
Associates & minorities	-	-	-	-	-
Other non-cash items	-	-	-	-	-
Change in working capital	(1,879)	(7,877)	(3,239)	(421)	170
<b>Cash flow from operations</b>	<b>296</b>	<b>(5,187)</b>	<b>(419)</b>	<b>2,482</b>	<b>3,157</b>
Capex - maintenance	-	-	-	-	-
Capex - new investment	(1,030)	(2,121)	(512)	(493)	(595)
Net acquisitions & disposals	-	-	-	-	-
Other investments (net)	-	-	-	-	-
<b>Cash flow from investing</b>	<b>(1,030)</b>	<b>(2,121)</b>	<b>(512)</b>	<b>(493)</b>	<b>(595)</b>
Dividends paid	(696)	(1,201)	(1,054)	(1,084)	(1,114)
Equity finance	82	260	(59)	28	18
Debt finance	3,186	4,077	2,007	(999)	(999)
Other financing cash flows	-	-	-	-	-
<b>Cash flow from financing</b>	<b>2,571</b>	<b>3,135</b>	<b>894</b>	<b>(2,054)</b>	<b>(2,095)</b>
Non-recurring cash flows	-	-	-	-	-
Other adjustments	0	0	0	0	0
<b>Net other adjustments</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Movement in cash</b>	<b>1,837</b>	<b>(4,173)</b>	<b>(36)</b>	<b>(66)</b>	<b>468</b>
Free cash flow to firm (FCFF)	(631.19)	(7,174.97)	(760.80)	2,155.51	2,728.93
Free cash flow to equity (FCFE)	2,450.98	(3,231.46)	1,076.70	989.86	1,563.28

#### Per share (THB)

FCFF per share	(0.15)	(1.70)	(0.18)	0.51	0.65
FCFE per share	0.58	(0.77)	0.25	0.23	0.37
Recurring cash flow per share	0.52	0.64	0.67	0.69	0.71

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Tangible fixed assets (gross)	1,993	2,192	2,302	2,417	2,538
Less: Accumulated depreciation	(848)	(568)	(460)	(483)	(508)
<b>Tangible fixed assets (net)</b>	<b>1,145</b>	<b>1,624</b>	<b>1,841</b>	<b>1,933</b>	<b>2,030</b>
<b>Intangible fixed assets (net)</b>	<b>87</b>	<b>122</b>	<b>69</b>	<b>69</b>	<b>70</b>
Long-term financial assets	370	370	441	449	463
Invest. in associates & subsidiaries	7,024	8,538	8,630	8,830	9,110
Cash & equivalents	6,313	2,140	2,104	2,038	2,506
A/C receivable	146	119	223	227	234
Inventories	33,092	42,488	47,214	47,762	47,837
Other current assets	450	1,096	697	708	731
<b>Current assets</b>	<b>40,002</b>	<b>45,843</b>	<b>50,238</b>	<b>50,735</b>	<b>51,308</b>
Other assets	1,128	904	1,010	1,010	1,010
<b>Total assets</b>	<b>49,754</b>	<b>57,401</b>	<b>62,229</b>	<b>63,026</b>	<b>63,991</b>
Common equity	20,084	21,733	23,204	24,829	26,500
Minorities etc.	(30)	(23)	29	57	75
<b>Total shareholders' equity</b>	<b>20,054</b>	<b>21,709</b>	<b>23,232</b>	<b>24,887</b>	<b>26,575</b>
Long term debt	11,048	12,453	11,334	11,006	11,007
Other long-term liabilities	1,349	1,567	2,323	2,361	2,437
<b>Long-term liabilities</b>	<b>12,398</b>	<b>14,020</b>	<b>13,657</b>	<b>13,367</b>	<b>13,443</b>
A/C payable	722	1,837	1,858	1,889	1,949
Short term debt	13,387	16,059	19,186	18,515	17,515
Other current liabilities	3,194	3,776	4,297	4,368	4,508
<b>Current liabilities</b>	<b>17,303</b>	<b>21,672</b>	<b>25,340</b>	<b>24,772</b>	<b>23,972</b>
<b>Total liabilities and shareholders' equity</b>	<b>49,754</b>	<b>57,401</b>	<b>62,229</b>	<b>63,026</b>	<b>63,991</b>
Net working capital	29,772	38,090	41,979	42,439	42,345
Invested capital	39,525	49,648	53,971	54,730	55,028

\* Includes convertibles and preferred stock which is being treated as debt

#### Per share (THB)

Book value per share	4.79	5.15	5.50	5.88	6.28
Tangible book value per share	4.77	5.12	5.48	5.86	6.26

#### Financial strength

Net debt/equity (%)	90.4	121.5	122.3	110.4	97.9
Net debt/total assets (%)	36.4	45.9	45.7	43.6	40.7
Current ratio (x)	2.3	2.1	2.0	2.0	2.1
CF interest cover (x)	34.6	(7.3)	10.3	9.9	14.0

Valuation	2021	2022	2023E	2024E	2025E
<b>Recurring P/E (x) *</b>	<b>9.2</b>	<b>7.2</b>	<b>7.1</b>	<b>6.9</b>	<b>6.7</b>
<b>Recurring P/E @ target price (x) *</b>	<b>10.3</b>	<b>8.0</b>	<b>7.9</b>	<b>7.7</b>	<b>7.5</b>
Reported P/E (x)	9.1	7.3	7.1	6.9	6.7
Dividend yield (%)	4.5	5.5	5.6	5.7	5.9
Price/book (x)	0.9	0.9	0.8	0.8	0.7
Price/tangible book (x)	0.9	0.9	0.8	0.8	0.7
EV/EBITDA (x) **	13.0	13.1	13.2	12.5	11.7
EV/EBITDA @ target price (x) **	13.7	13.7	13.8	13.1	12.2
EV/invested capital (x)	0.9	0.9	0.9	0.8	0.8

\* Pre-exceptional, pre-goodwill and fully diluted \*\* EBITDA includes associate income and recurring non-operating income

Sources: SC Asset Corporation; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

**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**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) **Sustainability Investment List (THSI)** by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of 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.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **E**nvironmental, and **S**ocial issues, by managing business with transparency in **G**overnance. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **E**conomic (CG, risk management, customer relation management, supply chain management, and innovation); **E**nvironmental (environmental management, eco-efficiency, and climate risk); **S**ocial (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > 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.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.



**GENERAL DISCLAIMER**

**ANALYST(S) CERTIFICATION**

Thanyatorn Songwutti FSS International Investment Advisory Securities Co., Ltd

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**History of change in investment rating and/or target price**

**SC Asset Corporation (SC TB)**



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
12-Jan-2023	BUY	5.00	-	-	-	-	-	-

Thanyatorn Songwutti started covering this stock from 12-Jan-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
SC Asset Corporation	SC TB	THB 4.48	BUY	Downside risks to our P/E-based TP include 1) weaker-than-expected take-up rates of new launches; 2) weak purchasing power; 3) cancellation of presales; 4) bank loan rejections; and 5) construction delays.

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

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All share prices are as at market close on 03-Jul-2023 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.