

AEON THANA SINSAP (THAILAND)
THAILAND / FINANCE & SECURITIES

AEONTS TB

HOLD

แรงด้านสูงต่อเนื่องในปี FY24

- เรามีมุมมองเชิงลบต่อกลุ่มบัตรเครดิตและสินเชื่อบุคคลจากแรงด้านที่มีต่อเนื่องใน FY24
- เราคาดว่ากำไรสุทธิ FY24-25 จะโตเพียง 7.2% CAGR
- เราเริ่มบทวิเคราะห์ด้วยคำแนะนำถือที่ราคาเป้าหมายปี FY24 ที่ 169 บาท (GGM)

TARGET PRICE	THB169.00
CLOSE	THB156.00
UP/DOWNSIDE	+8.3%
TP vs CONSENSUS	-6.1%

KEY STOCK DATA

YE Feb (THB m)	2022	2023E	2024E	2025E
Operating profit	4,950	4,022	4,338	4,618
Net profit	3,815	3,113	3,360	3,578
EPS (THB)	-	-	-	-
vs Consensus (%)	-	-	-	-
Recurring net profit	3,815	3,113	3,360	3,578
Core EPS (THB)	15.26	12.45	13.44	14.31
EPS growth (%)	7.4	(18.4)	7.9	6.5
Core P/E (x)	10.2	12.5	11.6	10.9
Dividend yield (%)	3.5	3.5	4.0	4.5
Price/book (x)	1.7	1.6	1.5	1.4
ROE (%)	17.9	13.1	13.2	13.1
ROA (%)	4.3	3.3	3.4	3.4

ธุรกิจตั้งตัวในช่วงที่เศรษฐกิจผันผวน

กลยุทธ์ทางธุรกิจในปี FY23 (มี.ค. 23 ถึง ก.พ. 24) ยังคงเดิมจากในช่วง 2-3 ปีที่ผ่านมา AEONTS รายงานการเติบโตของสินเชื่อในแต่ละกลุ่มค่อนข้างทรงตัวในช่วง 1HFY23 นอกจากความต้องการที่จะปกป้องคุณภาพสินทรัพย์ไม่ให้เสื่อมลงอีกแล้ว การตัดจำหน่ายสินเชื่ออย่างมีนัยสำคัญยังได้ก่อให้เกิดแรงกดดันต่อสินเชื่อในช่วงเดียวกัน เราคาดว่าสินเชื่อ FY24-25 จะโต 6.2% ต่อปีภายใต้สมมติฐานนโยบายการปล่อยสินเชื่ออย่างเข้มงวดต่อเนื่อง

คุณภาพสินทรัพย์เสื่อมลงอย่างต่อเนื่องซึ่งทำให้ต้นทุนความเสี่ยงในการปล่อยสินเชื่อใกล้เข้าสู่ระดับสูง

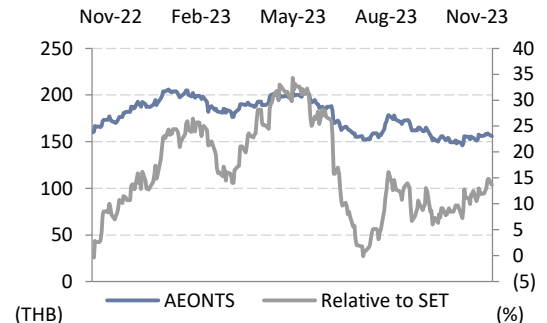
ในช่วง 1HFY23 สัดส่วนหนี้ต่อคุณภาพอยู่ที่ 6.18% ในขณะที่สัดส่วนสำรองต่อหนี้ต่อคุณภาพลดลงเหลือ 173.58% แม้ว่าบริษัท จะยืนยันว่าต้นทุนความเสี่ยงในการปล่อยสินเชื่อได้ผ่านจุดสูงสุดที่ 9.50% ใน 1QFY23 มาอยู่ที่ 8.88% ใน 2QFY23 ต้นทุนดังกล่าวยังมีนัยสำคัญในการรองรับการตัดจำหน่ายหนี้ให้อยู่ในระดับสูงที่ 1.96-2.31 พัน ลบ. ต่อไตรมาส เราคาดว่าสัดส่วนหนี้ต่อคุณภาพใน FY23 จะเร่งตัวขึ้นเป็น 6.50% ก่อนลดลงเหลือ 5.50% และ 5.00% ใน FY24-25 ตามลำดับ นอกจากนี้เรายังคาดว่าต้นทุนความเสี่ยงในการปล่อยสินเชื่อใน FY23 จะทรงตัวในระดับสูงที่ 8.10% ก่อนลดลงเล็กน้อยเหลือ 7.90% และ 7.80% ใน FY24-25 ตามลำดับเนื่องจากเรามีความกังวลเกี่ยวกับการเปลี่ยนแปลงกฎเกณฑ์ของ ธปท. ที่จะเพิ่มการชำระขั้นต่ำของบัตรเครดิตเป็น 8% ในปี 2024 และ 10% ในปี 2025 จาก 5% ในปัจจุบัน

คาดการณ์กำไรจะลดลงใน 3QFY23 ก่อนติดกลับใน 4QFY23

เราคาดว่ากำไรสุทธิ 3QFY23 อยู่ที่ 751 ลบ. (-10.8% q-q, -32.0% y-y) ส่วนมากจากกำไรจากการขายบัญชีลูกหนี้ที่ลดลงซึ่งเราคาดว่าจะฟื้นคืนในไตรมาสนี้ (เทียบกับ 167 ลบ. ใน 2QFY23) โดยปกติ 4Q เป็นฤดูสำหรับการใช้จ่ายซึ่งน่าจะเป็นผลบวกต่อกำไรของบริษัท สำหรับกำไรสุทธิของ AEONTS ในช่วง FY23 เราคาดว่าบริษัท จะรายงานกำไรสุทธิ 3.11 พัน ลบ. ลดลง 18.4% y-y ส่วนมากจากค่าใช้จ่ายดอกเบี้ยและต้นทุนความเสี่ยงในการปล่อยสินเชื่อที่สูงขึ้น ในช่วง FY24-25 เราคาดว่ากำไรสุทธิจะโตเฉลี่ย 7.2% CAGR จากกลยุทธ์การขายสินเชื่อด้วยความรอบคอบอย่างต่อเนื่องและต้นทุนความเสี่ยงในการปล่อยสินเชื่อที่คาดว่าจะกำลังใกล้เข้ามา

เริ่มบทวิเคราะห์ด้วยคำแนะนำถือ คาดกลยุทธ์ในการปล่อยสินเชื่อด้วยความรอบคอบในช่วง FY24-25

เราเริ่มบทวิเคราะห์ AEONTS ของเราด้วยคำแนะนำถือที่ราคาปัจจุบันส่วนมากจากมุมมองที่เป็นลบเล็กน้อยเกี่ยวกับกลุ่มบัตรเครดิตและสินเชื่อบุคคล ราคาเป้าหมายปี FY24 ของเราที่ 169 บาทคิดเป็นค่า P/BV ได้ที่ 1.60x พร้อมผลตอบแทนปีประมาณการ FY24 ที่คาดว่าจะอยู่ที่เพียง 11.9%



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.0	(12.6)	(2.5)
Relative to country (%)	3.6	(2.1)	13.4
Mkt cap (USD m)	1,110		
3m avg. daily turnover (USD m)	0.9		
Free float (%)	41		
Major shareholder	AEON Financial Service Co Ltd (32%)		
12m high/low (THB)	208.00/145.00		
Issued shares (m)	250		

Sources: Bloomberg consensus; FSSIA estimates



Usanee Liurut, CISA

Fundamental Investment Analyst on Capital Market; License no. 017928
usanee.l@fssia.com, +66 2646 9967

Maeta Cherdasatirakul

Research Assistant
maeta.c@fssia.com, +66 2646 9971The Chairman Of The Board of
Finansia Syrus Securities PCL is
also AEONTS's Director

Investment thesis

We initiate coverage of AEONTS with a HOLD call at the current price due to:

- 1) We have a negative view on the credit card and personal loan segments due to headwinds continuing in FY24.
- 2) We expect the FY23 NPL ratio to accelerate to 6.50%. We also project FY23 credit costs to remain at a high level of 8.10%. We are concerned about the BoT's regulation changes that will lift the minimum payment for credit cards to 8% in 2024 and 10% in 2025.
- 3) We expect FY24-25 net profit to grow just 7.2% p.a. CAGR.

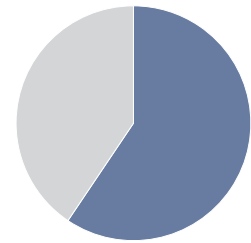
Company profile

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

www.aeon.co.th

Principal activities (revenue, 1H23)

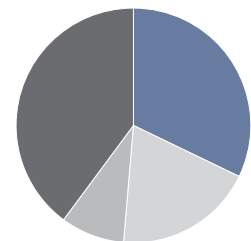
- Net interest income - 59.4 %
- Non-interest income - 40.6 %



Source: Aeon Thana Sinsap (Thailand)

Major shareholders

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



Source: Aeon Thana Sinsap (Thailand)

Catalysts

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

Risks to our call

Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.

Event calendar

Date	Event
11 Jan 2024	3QFY23 results announcement

Key assumptions

	2023E	2024E	2025E
	(%)	(%)	(%)
Loan growth	4.50	6.20	6.15
Interest spread	16.73	16.73	16.78
Net fee income growth	1.00	3.00	3.00
Cost to income	36.82	36.82	36.81
Credit cost (bp)	810	790	780
NPL ratio	6.50	5.50	5.00
ROE	13.14	13.20	13.13
ROA	3.22	3.30	3.28

Source: FSSIA estimates

Earnings sensitivity

		----- 2024E -----		
Loan growth (%)	±2ppt	4.20	6.20	8.20
% change in net profit		(2.4)		2.4
Spread (%)	±10bp	16.63	16.73	16.83
% change in net profit		(1.6)		1.6
Credit cost (bp)	±10bp	780	790	800
% change in net profit		+2.5		(2.5)

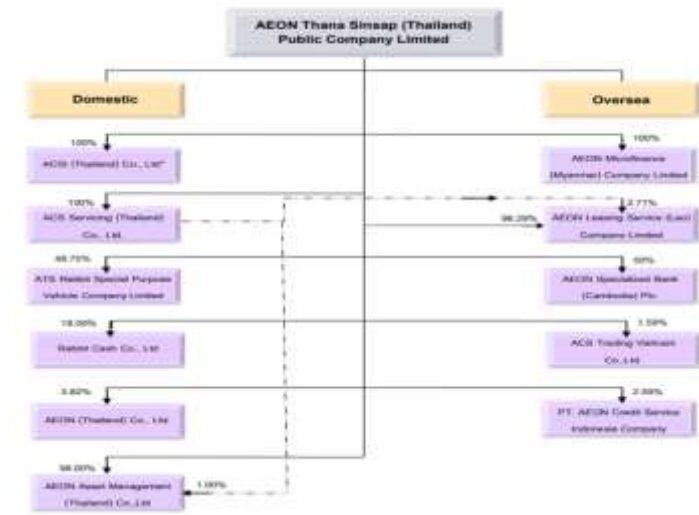
Source: FSSIA estimates

Business tightened during economic fluctuations

AEONTS’ competitive advantage in the lending business comes from having a Japanese parent company – AEON group, which holds 63.12% – with a powerful business brand. Creating brand awareness among consumers is relatively easy in the intensely competitive environment of the industry. AEONTS’ retail finance base is currently spread domestically and overseas – Cambodia, Myanmar, and Laos – via its investments in subsidiaries and affiliated companies.

Exhibit 1: AEONTS’ group structure

Exhibit 2: AEONTS’ top ten major shareholders, as of 28 February 2023



	Name of Shareholders	No. of Shares	%
1	AEON Financial Service Co., Ltd. / Japan	87,800,000	35.12
2	ACS Capital Corporation Limited	48,000,000	19.20
3	AEON Holdings (Thailand) Co., Ltd.	22,000,000	8.80
4	Thai NVDR Co., Ltd.	19,354,963	7.74
5	Mr. Chatchaval Jaravimon ¹	7,700,000	3.08
6	MORGAN STANLEY & CO. INTERNATIONAL PLC ¹	5,500,000	2.20
7	STATE STREET EUROPE LIMITED	5,064,117	2.02
8	SOUTH EAST ASIA UK (TYPE C) NOMINEES LIMITED	4,906,400	1.96
9	SE ASIA (TYPE B) NOMINEES LLC	2,585,020	1.03
10	THAI LIFE INSURANCE PUBLIC COMPANY LIMITED	2,441,600	0.97

Source: AEONTS

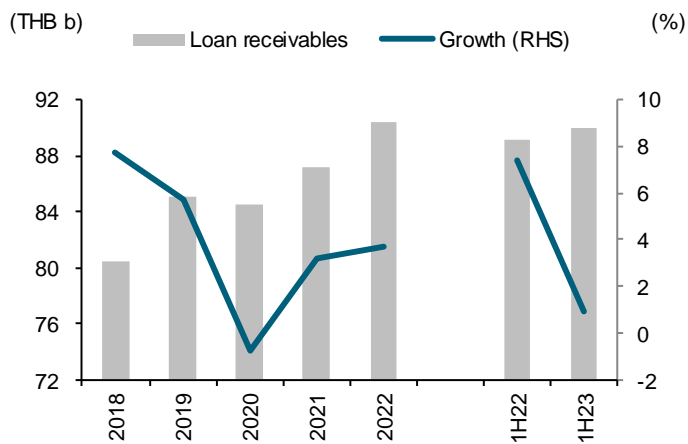
Source: AEONTS

The consumer finance industry has continued to expand as consumption spending demand and consumer confidence has been high for a prolonged period. Credit card receivables as of September 2023 totaled THB463b, up 1.8% y-y. The total volume of credit card spending was THB1.69t, up by 12.2% y-y during the same period. Meanwhile, personal loan receivables (excluding auto title loans) amounted to THB510b, up 4.4% y-y, and auto title loans increased significantly by 39.4% y-y. Compared to the industry, AEONTS’ market share of credit card receivables as of August 2023 (2QFY23) stood at 9.5%, relatively stable y-y. As for personal loan receivables (excluding auto title loans), AEONTS’ market share was at 6.2% during the same period.

AEONTS’ loans have slowed down in the post-Covid period, growing at a mere 3.7% p.a. CAGR during FY21-22, dragged by a decline in hire purchase loans and personal loans, which were relatively stable compared to the industry’s average growth of 15.5% p.a. during the same period. Only credit card loans grew at an average of 2.90% p.a., much lower than the industry’s average 16.7% growth. Key drags came mainly from the unfavorable economic situation and the high level of household debt, leading to asset quality problems.

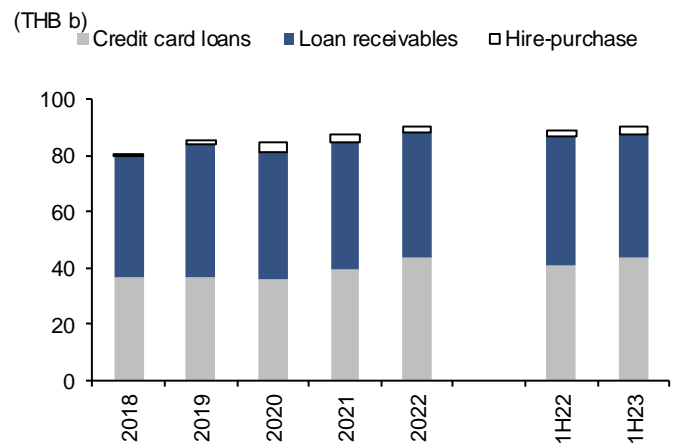
Meanwhile, its revenue structure over the past three years (FY20-22) has seen changes that reflect the economic picture. In addition, the modification of the credit card and personal loan interest rate ceiling by the Bank of Thailand (BoT) has also impacted its revenue structure. The highest proportion of income from the personal loan business, the high-risk segment, decreased to 54% of total revenue in FY22 from 60% of total in FY20, with the loan share falling to 48% of total loans at the end of FY22 from 52% of total in FY20.

Exhibit 3: Loan and loan growth during FY18-1H23



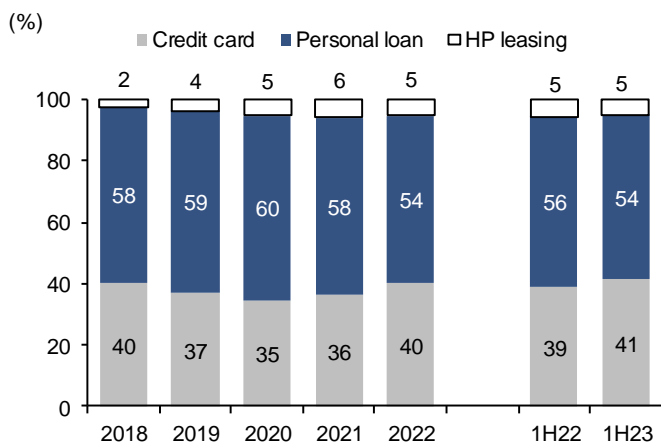
Sources: Company data, FSSIA's compilation

Exhibit 4: Loan breakdown, as of 1HFY23



Sources: Company data, FSSIA's compilation

Exhibit 5: Revenue breakdown during FY18-1HFY23



Sources: Company data, FSSIA's compilation

Exhibit 6: Regulated interest rate by products

	Pre-adjustment	Aug 20 onwards	Regulator
	(% p.a.)	(% p.a.)	
Credit cards	18	16	Bank of Thailand
Revolving personal loans	28	25	
Auto title loans	28	24	
Nano finance	36	33	
PICO finance	36	33	Ministry of Finance
Hire-purchase	n/a	23	Office of The Consumer Protection Board
New car	n/a	10	
Used car	n/a	15	
Motorcycle	n/a	23	

Sources: FSSIA's compilation

The FY23 business strategy remains unchanged from the past few years. AEONTS' loan growth for each category during 1HFY23 was relatively flat. Apart from its desire to protect its asset quality from deteriorating further, significant loan write-offs of cTHB4b put critical pressure on loans during the same period. We expect FY24-25 loans to grow at an average of 6.2% p.a. under the assumption of continued credit stringency.

Exhibit 7: AEONTS' branches, ATMs, and network

	FY18	FY19	FY20	FY21	FY22	1HFY23
No. of branches	104	105	103	101	104	104
% Bangkok	31	30	29	30	31	30
% Province	69	70	71	70	73	70
No. ATMs	440	413	411	389	146	141
Affiliated dealers	4,851	6,631	6,463	6,328	5,846	5,646

Sources: Company data, FSSIA's compilation

Exhibit 8: AEONTS' FY23 guidance and FSSIA's forecast

	AEONTS		FSSIA
	(%)		(%)
Loan growth	5-6		4.5
NPL	5.5		6.5
Credit cost (bps)	750-770		810
Cost of funds	3.2-3.3		3.4
Cost-to-income	~36		36.8

Sources: Company; FSSIA estimates

Although the trend of business growth may slow down, AEONTS is still focused on developing its systems to achieve digitalization under the “Digitalization Roadmap” in every dimension since 2021. This includes the development of digital products and services, online distribution and repayment channels, and online stakeholders to replace the use of paper documents and branches, such as BTS Group Holdings (BTS TB, not rated), and the leaders of e-commerce platforms, e.g., Shopee and Lazada.

In addition, the company has also enhanced the efficiency of the lending process with the adoption of AI innovations and the use of other data combined with customer income data to enhance convenience, speed, and approval accuracy. This has resulted in better efficiency for its operations and a better risk level for customers. Moreover, for the debt collection process, AEONTS has also developed a model to improve the effectiveness of debt collection to reduce administrative and credit costs, reflected in the continued reduction of the 1HFY23 cost-to-income ratio to 38.8% from FY17-18 at 43.7%.

The BoT’s new persistent debt measure under its responsible lending policy targets revolving personal loans, which intersects with AEONTS’ product lines. However, the firm has declared that less than 5% of total loans are with revolving personal loan customers with a monthly salary lower than THB10k. In addition, if we account for 1) the opt-in condition by the BoT; and 2) the sub-group where repayments were not deducted from their loan principals, the proportion should be meaningfully lower. This leads us to expect an insignificant impact from the policy on AEONTS’ operations.

Strong international businesses but minimal impacts on the group’s profit

AEONTS emphasizes overseas investments, especially in the CLM countries, Cambodia, Laos, and Myanmar – a group of economies with growth potential at an expected average economic growth rate in 2023 of 2.5-6% p.a. The working population aged 20-30 has a relatively high demand for financial loans. Therefore, the company sees it as an excellent opportunity to expand to the CLM countries. Thus, affiliates’ business is likely to continue growing in the future.

There was economic volatility from several pressure points in 2022, such as financial market volatility and the global economic slowdown from rising interest rates; inflation; energy price crises; challenges in business operations due to the Covid-19 pandemic situation; and political tensions affecting the growth of the global economy and the economy of the CLM countries. The 1HFY23 revenue contributions from AEONTS’ overseas businesses accounted for 7%, whereas the net profit contributions were merely 4.5%. Hence, we do not expect any meaningful recovery in the earnings of AEONTS’ overseas subsidiaries in FY23-25.

Exhibit 9: Shareholding structure in subsidiaries and affiliated companies Title

Company	Business Type	Ownership (%)
Subsidiaries - Domestic		
1. ATS Rabbit Special Purpose Vehicle Company Limited ¹	Special purpose vehicles (SPV)	48.75
2. ACSI (Thailand) Co., Ltd. (formerly AEON Insurance Service (Thailand) Company Limited) ²	Life / Non-life insurance brokerage services	100.00
3. ACS Servicing (Thailand) Co., Ltd.	Debt Collection services	100.00
4. AEON Asset Management (Thailand) Co., Ltd. ³	Non-performing assets management	98.00
Subsidiaries - Overseas		
5. AEON Specialized Bank (Cambodia) PLC	Specialized bank in Cambodia	50.00
6. AEON Microfinance (Myanmar) Co., Ltd.	Microfinance business in Myanmar	100.00
7. AEON Leasing Service (Lao) Co., Ltd. ⁴	Leasing business in Laos	96.29
Other Affiliated Companies		
8. AEON (Thailand) Co., Ltd.	Retail Department Store	3.82
9. PT. AEON Credit Service Indonesia	Microfinance business in Indonesia	2.59
10. ACS Trading Vietnam Co., Ltd. ⁵	Installments service in Vietnam	1.59
11. Rabbit Cash Co., Ltd. ⁶	Provide lending services through digital platform	18.00

Source: Company data

Exhibit 10: Operating performances of AEONTS’ overseas businesses

(THB m)	FY	2018	2019	2020	2021	2022	1H22	1H23
Cambodia	Turnover	3,309	5,630	4,749	4,371	4,713	2,046	2,692
	Revenue	504	914	1,129	1,134	1,175	584	568
Myanmar	Turnover	2,119	2,944	1,369	223	45	12	37
	Revenue	272	402	325	34	17	2	52
Laos	Turnover	390	368	353	398	410	184	117
	Revenue	102	113	114	113	112	57	61
Total account receivables		3,627	5,850	5,542	5,542	5,072	5,184	5,463

Sources: Company data, FSSIA’s compilation

Cambodia: AEON Specialized Bank (Cambodia) Plc. ("ASB Cambodia"), established in 2011, is a specialized bank providing credit cards, personal loans, hire purchases, and car and motorcycle hire purchases. The company holds 50% of its share, and AEON Financial Service Co., Ltd. holds another 50%. At present, ASB Cambodia has 14 branches located in Phnom Penh, Stueng Mean Chey, Siem Reap, Battambang, AEON Mall Phnom Phen, Kampong Cham, Takeo, Banteay Mean Chey, Pochentong, Sihanoukville, AEON Mall Sen Sok, Chbar Ampov, Kampong Speu and AEON Mall Mean Chey. Aeon Mall Mean Chey, officially opened in December 2022, is a large shopping mall; the third Aeon Mall in Cambodia. It is ready to serve over 250 tenants and provide complete entertainment services to customers under the concept of "Edutainment Mall."

For FY22, ASB Cambodia generated revenue of THB1.18b, which increased by 4% y-y, and a net profit of THB124m, which rose over 41x y-y. For 1HFY23, the company reported total revenue of THB584m, decreasing by 3% y-y, and a net profit of THB69m, significantly decreasing by 35% y-y.

Myanmar: AEON Microfinance (Myanmar) Co., Ltd. ("AEON Myanmar") started to operate in 2013 with 100% of its shares held by AEONTS. Its head office is in Yangon City, a commercial hub and logistics center in Myanmar. For FY22, AEON Myanmar was continually impacted by the Covid-19 situation and the political tension in the country, resulting in the cessation of lending for new loans, but the company continues to collect outstanding debts as usual.

In FY22, AEON Myanmar generated revenue of merely THB17m, which decreased by 50% y-y, and a net loss of THB80m. For 1HFY23, the company reported total revenue of THB52m, a significant decrease y-y, and a thin net profit of THB9m, which fell by 36% y-y.

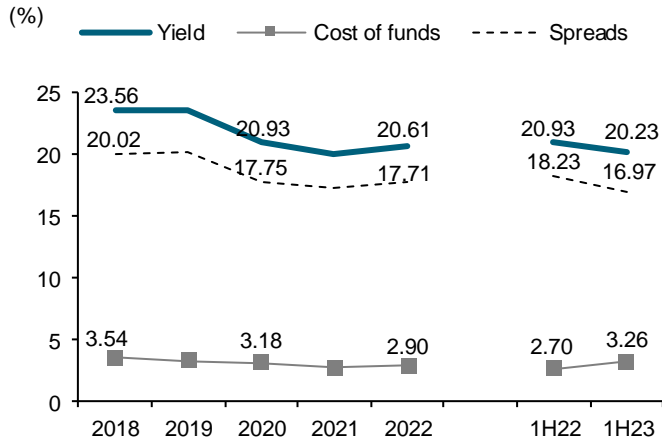
Laos: AEON Leasing Service (Lao) Co., Ltd. ("ALSL") has operated a hire purchase business since 2013 with 100% of its shares held by AEONTS. ALSL provides diversified hire purchase products, e.g., cars, motorcycles, gold, electric appliances, etc. At present, ALSL has two service branches in Vientiane and Pakse. For FY22, ALSL generated revenue of THB112m, down by 1% y-y, and a net profit of THB13m, up 3x from last year's net profit. For 1HFY23, the company reported total revenue of THB61m, increase by 7% y-y, and a thin net profit of THB11m, which rose by 38% y-y.

Rising cost of funds pressured short-term interest spread

Thanks to the group's policy of making interest rate swap contracts for all borrowings and debentures carrying floating interest rates by exchanging the difference between fixed and floating rate interest amounts calculated on agreed principal notional amounts, AEONTS mitigates the risk of changing interest rates. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows at the reporting date and the credit risk inherent in the contract. However, due to the rising market interest rate, AEONTS could inevitably be exposed to an increasing cost of funds. 1HFY23 cost of funds accelerated to 3.26% from 2.90% in FY22, pressuring its 1HFY23 spread to decline to 16.97% from 17.71% in FY22. Primary sources of funds are from bank loans (86% of total), while the rest are from debentures. We forecast the bank loan proportion could range from 81-84% during FY23-25, with the rest from debentures.

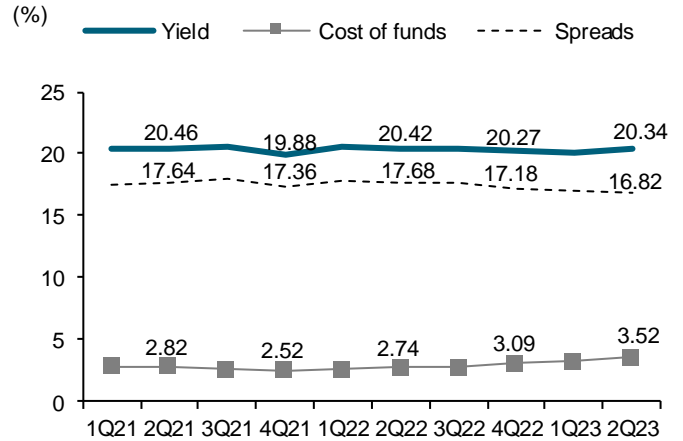
We expect a continued rise in cost of funds during FY23-25, but at a lower magnitude of increase in FY24-25, aligning with the market interest rate trend. However, we expect AEONTS to manage its interest spread to stabilize at c16.73-16.78% by raising some product yields to offset the impacts during the same period.

Exhibit 11: Yields, cost of funds, and spread during FY18-1HFY23



Sources: AEONTS, FSSIA's compilation

Exhibit 12: Yields, cost of funds, and spread during 1QFY20-2QFY23



Sources: AEONTS, FSSIA's compilation

Exhibit 13: AEONTS' outstanding and maturity of debentures and borrowings

----- Outstanding in debentures -----					----- Maturity during period -----				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Total
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2023/24	9,193	8,767	8,342	10,916	426	426	426	426	1,702
2024/25	15,241	14,815	13,390	11,964	426	426	1,426	1,426	3,702
2025/26	18,047	17,913	16,306	14,472	417	134	1,607	4,334	6,492
2026/27	10,588	10,500	10,500	10,500	134	88	-	3,000	3,222
2027/28	4,500	4,500	4,500	4,500	-	-	-	3,000	3,000

----- Outstanding in debentures -----					----- Maturity during period -----				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Total
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2023/24	52,065	49,009	52,953	49,897	3,056	3,056	3,056	3,056	12,224
2024/25	46,841	43,785	40,729	53,673	3,056	3,056	3,056	3,056	12,224
2025/26	50,617	47,561	44,505	55,949	3,056	3,056	3,056	3,056	12,224
2026/27	52,893	49,836	46,780	56,224	3,056	3,056	3,056	3,056	12,224
2027/28	54,668	53,112	51,556	50,000	3,056	3,056	3,056	3,056	12,224

----- Outstanding in debentures -----					----- Maturity during period -----				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Total
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
2023/24	61,258	57,777	61,295	60,814	3,482	3,482	3,482	3,482	13,926
2024/25	62,082	58,600	54,119	65,637	3,482	3,482	4,482	4,482	15,926
2025/26	68,664	65,474	60,811	70,421	3,473	3,190	4,663	7,390	18,716
2026/27	63,481	60,336	57,280	66,724	3,190	3,144	3,056	6,056	15,446
2027/28	59,168	57,612	56,056	54,500	3,056	3,056	3,056	6,056	15,224

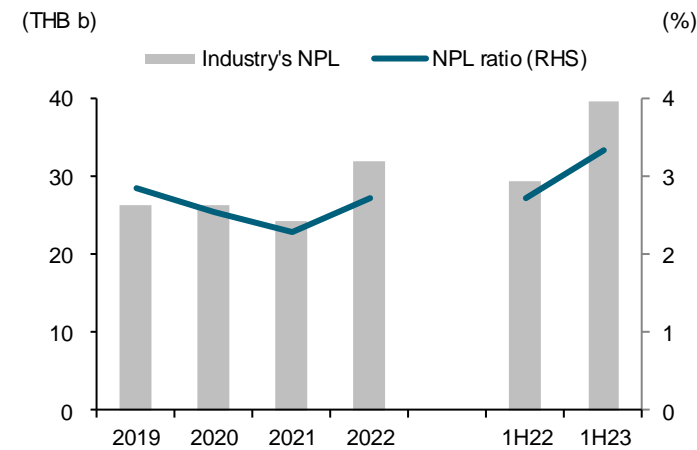
Sources: AEONTS; FSSIA's compilation

Asset quality continued deteriorating; high credit costs imminent

The 1HFY23 NPL ratio stood at 6.18%, rising for seven consecutive quarters, whereas the NPL coverage ratio declined to 173.58%, the lowest since end of FY19. Although the company reaffirmed that its credit costs had already passed their peak of 9.50% in 1QFY23 to 8.88% in 2QFY23, it was still a significant amount to support a large number of average write-offs; THB1.96b-2.31b per quarter.

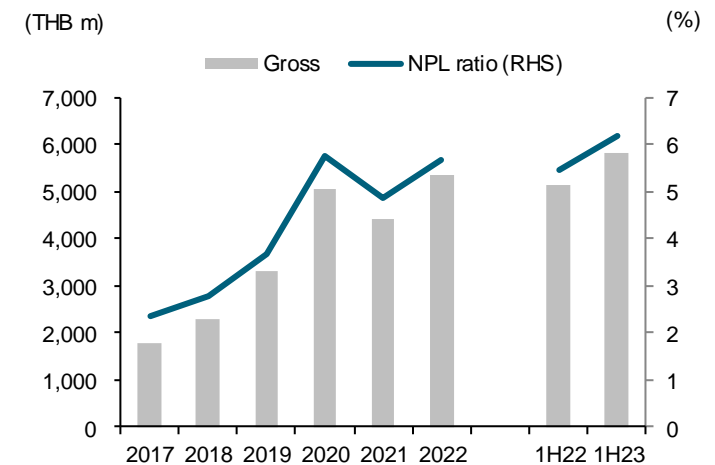
There was a considerable increase in the NPL ratio of the company, with higher figures than the average during the Covid-19 pandemic of 4.51-5.71%; in addition, the stage 2 loan ratio continued to increase to 4.10% at the end of 1H23. The aggressive increase in the NPL ratio and stage 2 loans were much higher than its peer, Krung Thai Card (KTC TB; HOLD), due to the company’s conservative policy by allowing NPLs to flow naturally for debtors who show signs of worsening debt repayment, such as not paying the total amount or not paying every installment, then aggressively writing them off. Therefore, the company recorded an average bad debt recovery of approximately THB400m per quarter over the past seven quarters, up from an average of THB200m-300m per quarter during FY19-20.

Exhibit 14: Industry’s NPLs and NPL ratio during FY18-1HFY23



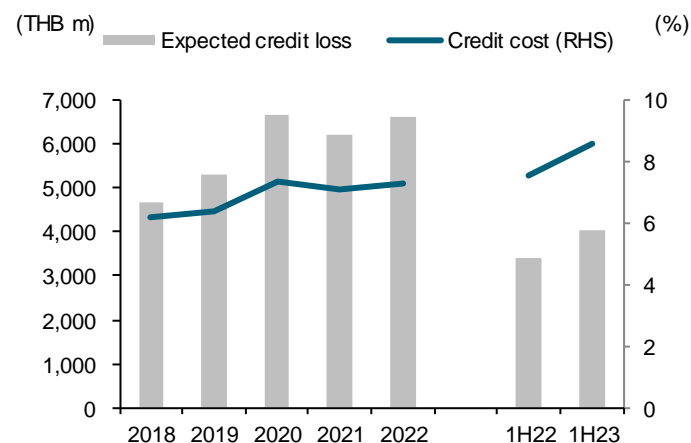
Sources: Company data, FSSIA's compilation

Exhibit 15: AEONTS’ NPLs and NPL ratio during FY18-1HFY23



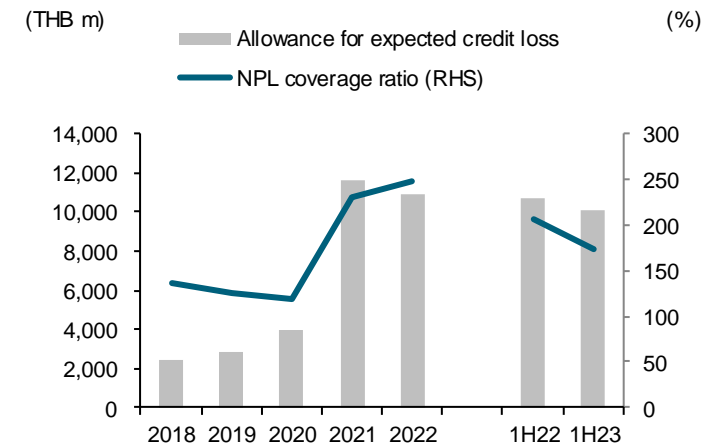
Sources: Company data, FSSIA's compilation

Exhibit 16: AEONTS’ ECL and credit cost during FY18-1HFY23



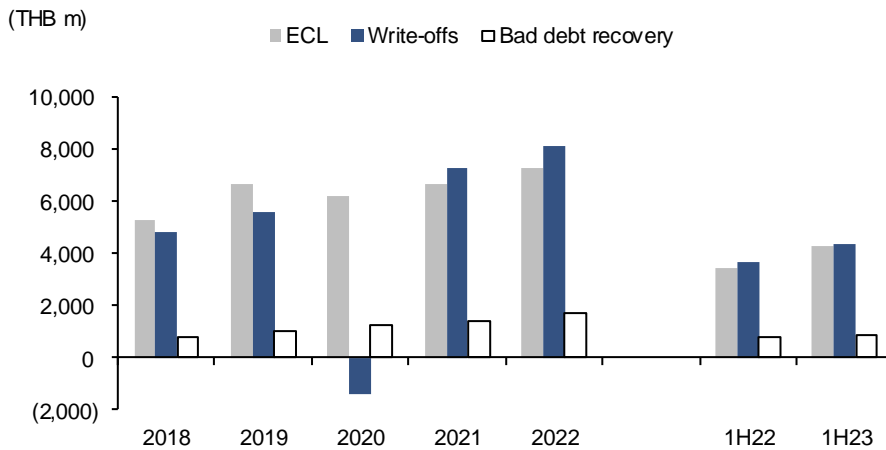
Sources: Company data, FSSIA's compilation

Exhibit 17: AEONTS’ allowance for ECL and NPL coverage ratio during FY18-1HFY23



Sources: Company data, FSSIA's compilation

Exhibit 18: ECL, debt write-offs, and bad debt recovery, FY18-1HFY23



Sources: AEONTS; FSSIA's compilation

Exhibit 19: Staged loans with allowance for ECL and coverage ratio (%), FY20-1HFY23

	FY20	FY21	FY22	1HFY23	FY20	FY21	FY22	1HFY23
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)
Loans and accrued interest					Staged loans % of total loans			
Stage 1	79,447	82,899	85,032	85,422	90.9	91.1	90.5	89.7
Stage 2	2,944	3,702	3,565	3,900	3.4	4.1	3.8	4.1
Stage 3	5,042	4,427	5,340	5,950	5.8	4.9	5.7	6.2
Total	87,433	91,028	93,937	95,272	100.0	100.0	100.0	100.0
Allowance for expected credit losses (ECL)					Allowance for ECL % of loans			
Stage 1	5,969	5,564	4,398	4,041	7.5	6.7	5.2	4.7
Stage 2	1,579	1,917	1,658	1,684	53.6	51.8	46.5	43.2
Stage 3	4,045	3,470	4,069	4,361	80.2	78.4	76.2	73.3
Total	11,593	10,951	10,125	10,086	13.3	12.0	10.8	10.6
% Allowance for ECL to totals								
Stage 1	7.51	6.71	5.17	4.73				
Stage 2	53.63	51.80	46.51	43.17				
Stage 3	80.23	78.38	76.20	73.30				
Total	13.26	12.03	10.78	10.59				
NPL / TL	5.77	4.86	5.69	6.25				
LLR / NPL	230	247	190	170				
NPLs + stage 2 loans/ total loans	9.13	8.93	9.48	10.34				
LLR/(NPLs + stage 2 loans)	145	135	114	102				

Sources: AEONTS; FSSIA's compilation

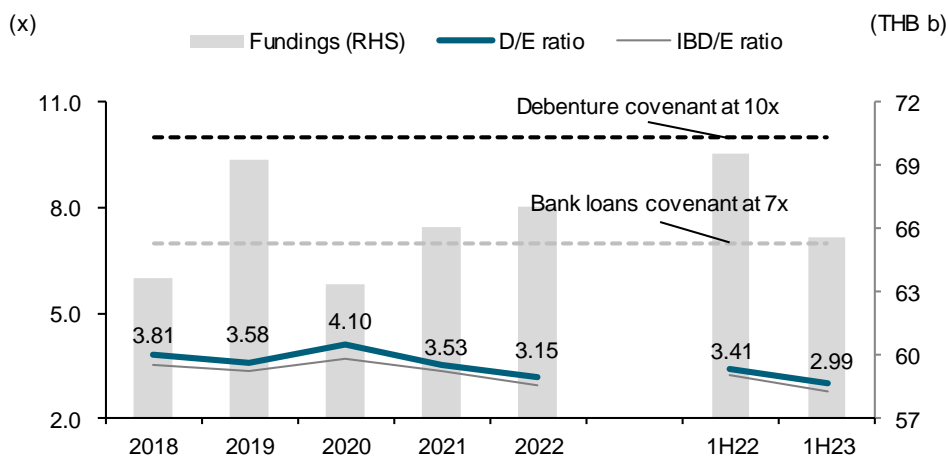
We expect the FY23 NPL ratio to accelerate to 6.50% then decline to 5.50% and 5.00% in FY24-25, respectively. Meanwhile, we expect bad debt recovery to be at THB1.75b-1.80b per year during FY23-25. We also project 2023 credit costs to remain at a high level of 8.10%, then slightly decline to 7.90% and 7.80% in FY24-25, respectively, since we are concerned about the impact from the BoT's regulation change to lift the minimum payment for credit cards to 8% in 2024 and 10% in 2025, from 5% at present. AEONTS clarified that 1) c10% of total credit card customers normally pay at the full amount, while the rest pay at an average of 8-9% (more than 50% pay above the 5% minimum) of credit outstanding; and 2) a credit card loan exposure of c200m would slip to stage 3 once the 3% additional payment is implemented. However, the company has already set aside ECL of the same amount in its management overlay portion. Hence, there would be no need to set up extra ECL over this issue.

Solid financial position with ample room for leveraging to support future growth

There is no cause for concern about AEONTS' financial position. The 1HFY23 debt-to-equity ratio (D/E) stood at merely 2.99x, whereas interest bearing debt to equity (IBD/E) was 2.78x, much lower than its debt covenant ratio (D/E) of not exceeding 7x for bank loans and 10x for debentures. We expect its FY23-25 IBD/E to stay at a comfortable level ranging from 2.77-2.78x, with ample room for leveraging more debts to support future growth and roll over its matured portion each year.

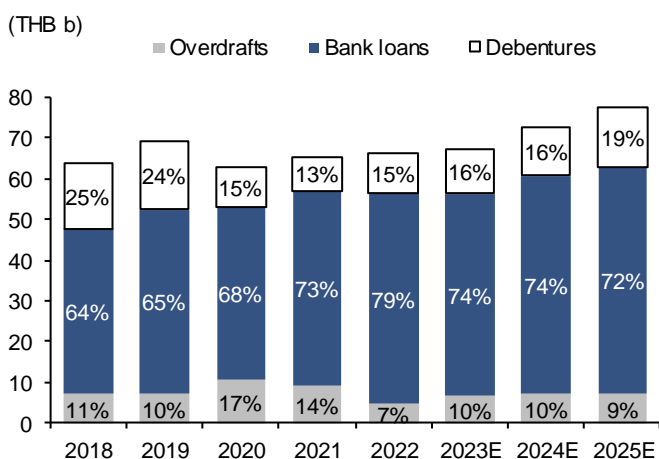
By FY24, there are debts due for redemption totaling THB15.9b, consisting of loans from financial institutions worth THB12.2b, with the remainder being debentures. The company is considering funding sources, and we estimate that loans from financial institutions will still be the primary source of funds.

Exhibit 20: AEONTS – D/E and IBD/E ratios



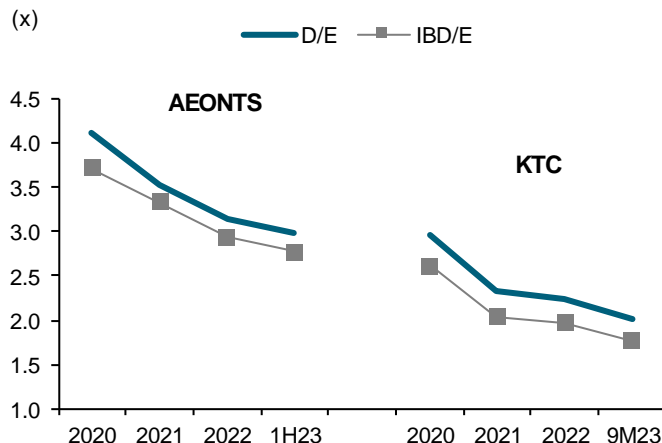
Sources: AEONTS; FSSIA's compilation

Exhibit 21: AEONTS' breakdown of funding sources, FY18-25E



Sources: AEONTS; FSSIA estimates

Exhibit 22: Comparison of D/E and IBDE ratios of AEONTS and KTC



Sources: AEONTS; FSSIA's compilation

3QFY23 profit expected to decline and bounce back in 4QFY23

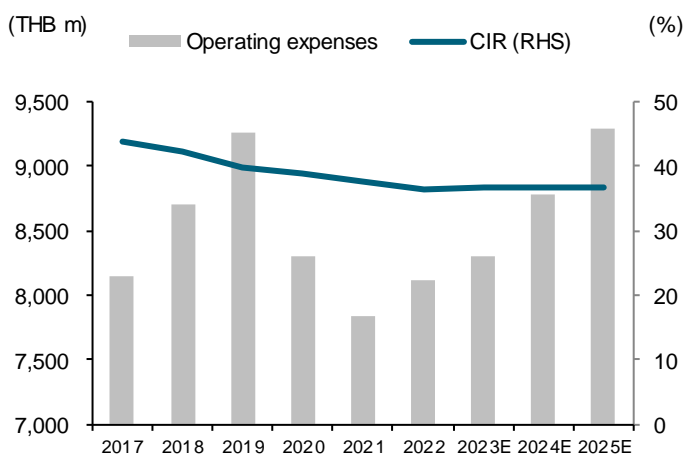
We expect a 3QFY23 net profit of THB751m, down by 10.8% q-q and 32.0% y-y. Meanwhile, 3QFY23 PPOP should decrease by 4.4% q-q and 12.3% y-y to THB2.9b, mainly dragged by a reduction in gains on sales of written-off account receivables, of which we predict none in this quarter compared to THB167m in 2QFY23. Net interest income should be relatively stable q-q but decrease by 2.8% y-y, due mainly to projected sluggish q-q loan growth, but still decrease by 1.4% y-y. For the interest spread, we project it to be flat q-q at 16.84% despite a rising cost of funds estimated at 19bp to 3.71% (9MFY23E is 3.39%). The increasing yields, mainly from the personal and credit card segments, should offset the impact. We also expect the cost-to-income ratio to be at 36.98%, still below 37% regarding its FY23 guidance.

For asset quality, we expect the 3QFY23 NPL ratio to continue to rise to 6.34% compared to 6.19% in 2QFY23. However, we project credit costs to slip by 65bp to 8.23%, based on AEONTS' guidance that its credit cost has already passed its peak since 2QFY23. Hence, the NPL coverage ratio should decline to 167.89% from 173.58% in 2QFY23.

9MFY23E net profit should increase to THB2.21b, dropping by 29.2% y-y and accounting for 71% of our full-year forecast. Typically, 4Q is the high season for spending, which should bode well for AEONTS' net profit in 4QFY23.

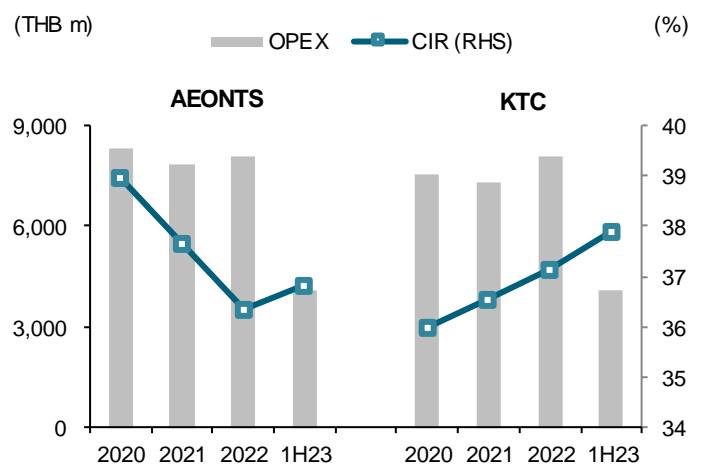
For FY23, we expect AEONTS' net profit to be at THB3.11b, the lowest in the past six years, decreasing by 18.4% y-y, mainly dragged by rising interest expenses and credit costs. Regarding FY24-25, we project the net profit to post an average growth rate of 7.2% p.a. CAGR, aligning with 1) the expected loan growth at an average of 6.2% p.a.; 2) interest spreads of 16.73% and 16.78%, respectively; 3) the cost-to-income ratio at an average of 36.8%; and 4) credit-costs of 7.90% and 7.80%, respectively.

Exhibit 23: Operating expenses vs CIR, FY18-25E



Sources: AEONTS, FSSIA estimates

Exhibit 24: Comparison of OPEX and CIR of AEONTS and KTC



Sources: Company data, FSSIA's calculation

Exhibit 25: AEONTS – operations summary and 3QFY23E

AEONTS	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23E	----- Change -----		9MFY23E	Change	% of	FY23E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	23E	(THB m)	(%)
Interest income	4,803	4,786	4,726	4,770	4,818	1.0	0.3	14,313	0.3	74	19,338	1.5
Interest expense	476	523	527	574	610	6.2	28.3	1,711	23.9	75	2,269	19.2
Net interest income	4,328	4,263	4,199	4,196	4,208	0.3	(2.8)	12,602	(2.2)	74	17,068	-0.5
Non-interest income	1,016	766	734	907	752	(17.0)	(26.0)	2,392	(4.7)	74	3,230	-1.4
Operating income	5,344	5,029	4,932	5,102	4,960	(2.8)	(7.2)	14,994	(2.6)	74	20,298	-0.6
Operating expenses	2,039	2,155	2,033	2,071	2,061	(0.5)	1.1	6,166	1.8	74	8,310	2.4
PPOP	3,305	2,874	2,899	3,031	2,899	(4.4)	(12.3)	8,828	(5.5)	74	11,988	-2.6
Expected credit loss	1,884	1,964	2,094	1,949	1,930	(1.0)	2.5	5,973	12.7	75	7,951	9.5
Profit before tax	1,421	909	805	1,082	969	(10.5)	(31.8)	2,856	(29.3)	71	4,022	-18.7
Income tax expense	286	181	161	218	196	(10.4)	(31.5)	575	(29.5)	71	809	-18.7
Net profit	1,104	693	617	842	751	(10.8)	(32.0)	2,210	(29.2)	71	3,113	-18.4
EPS (THB)	4.42	2.77	2.47	3.37	3.00	(10.8)	(32.0)	8.84	(29.2)	71	12.45	-18.4
Key balance sheet highlights												
NPL	5,340	5,340	5,541	5,810	5,950	2.4	11.4	5,950	11.43		6,381	19.5
Loan - gross	95,026	93,864	93,721	93,886	93,663	(0.2)	(1.4)	93,663	(1.43)		98,163	4.5
Interest bearing debt	68,556	67,057	64,701	65,621	65,956	0.5	(3.8)	65,956	(3.79)		68,087	1.5
Leverage ratio	(x)	(x)	(x)	(x)	(x)			(x)			(x)	
IBD/E (x)	3.15	2.94	2.77	2.78	2.78			2.78			2.77	
D/E (x)	3.39	3.15	3.02	2.99	2.98			2.98			2.98	
Asset quality ratio	(%)	(%)	(%)	(%)	(%)			(%)			(%)	
Gross NPLs (THB m)	5,340	5,340	5,541	5,810	5,950	2.4	11.4	5,950	11.4		6,381	19.5
NPL ratio	5.61	5.69	5.91	6.19	6.34			6.34			6.50	
Coverage ratio - LLR/ NPLs	196	190	184	174	168			168			165	
Credit cost	7.98	8.32	9.50	8.88	8.23			8.44			8.10	
LLR/TL	11.01	10.78	10.87	10.73	10.49			10.49			10.69	
Profitability ratios												
Cost-to-income ratio	35.04	37.10	37.16	36.46	36.98			36.87			36.82	
Yield on loans	20.34	20.27	20.15	20.34	20.55			20.23			20.13	
Cost of funds	2.75	3.09	3.20	3.52	3.71			3.39			3.40	
Spreads	17.59	17.18	16.95	16.82	16.84			16.84			16.73	
Net interest margin (NIM)	18.33	18.05	17.91	17.89	17.95			17.81			17.77	
ROE	20.40	12.44	10.70	14.34	12.68			12.95			13.14	
ROA	4.61	2.90	2.61	3.56	3.16			3.08			3.22	
Loan growth												
Loan growth q-q	1.21	-1.22	-0.15	0.18	-0.24							
y-y	6.24	3.25	1.17	-0.01	-1.43			-1.43			4.50	
YTD	4.53	3.25	-0.15	0.02	-0.21			-0.21				

Sources: AEONTS; FSSIA estimates

Exhibit 26: Comparison of operating performance

	AEONTS					KTC				
	FY20	FY21	FY22	2QFY23	3QFY23E	2020	2021	2022	3Q23	4Q23E
Loan	87,424	91,012	93,932	93,886	93,663	94,908	92,635	104,194	106,700	110,671
Net profit	3,690	3,553	3,815	842	751	5,333	5,879	7,079	1,857	1,747
Credit card loans	36,088	39,324	43,474	43,879	44,000	60,235	60,201	69,462	69,225	72,939
Market share	8.66	9.08	9.40	9.50		13.39	13.14	14.38	14.93	
Personal loans	45,332	45,695	44,878	43,999	43,400	29,617	28,895	31,886	34,106	34,550
Market share	7.75	7.11	5.78	5.36		5.10	4.56	4.18	4.13	
Loan growth y-y (%)	-3.10	4.11	3.21	-0.01	-1.43	9.81	-2.39	12.48	9.98	6.22
Yields (%)	20.93	20.07	20.61	20.34	20.55	15.63	14.52	14.61	15.44	15.16
Cost of funds (%)	3.18	2.73	2.90	3.52	3.71	2.66	2.47	2.39	2.79	2.84
Interest spread (%)	17.75	17.34	17.71	16.82	16.84	12.96	12.04	12.23	12.65	12.31
Operating expense	8,303	7,832	8,117	2,070	2,060	7,523	7,326	8,117	2,252	2,272
Cost to income (%)	38.98	37.67	36.35	36.46	36.98	36.01	36.56	37.14	37.33	37.89
ECL	6,210	6,629	7,263	1,949	1,930	6,489	5,456	4,868	1,477	1,555
Credit cost (%)	7.10	7.28	7.73	8.88	8.23	7.32	5.84	4.98	5.60	5.76
Net profit	3,690	3,553	3,815	842	751	5,333	5,879	7,079	1,857	1,747
ROE (%)	19.53	19.23	17.87	14.34	12.68	25.09	23.69	24.33	22.51	20.05
D/E ratio (x)	4.10	3.53	3.15	2.99	2.98	2.96	2.32	2.24	2.08	2.01
IBD/E ratio (x)	3.72	3.32	2.94	2.78	2.78	2.62	2.04	1.98	1.86	1.77

Sources: Company data; FSSIA's compilation

Initiate coverage with a HOLD call; continuing prudent strategy in FY24-25

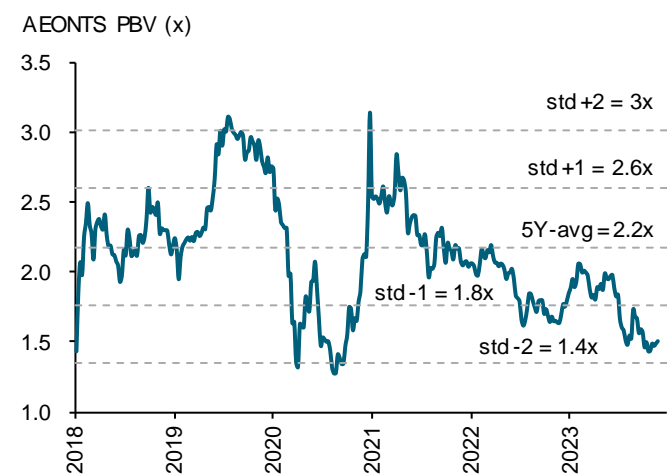
We initiate coverage of AEONTS with a HOLD call at the current price due mainly to our slightly negative view on consumer finance, especially the credit card and personal loan segments, which should have headwinds continuing throughout the year in 2024 in terms of limited business growth to protect its asset quality and stricter credit card business regulations. Our FY24 GGM-based TP of THB169 implies a P/BV of 1.60x. It has an FY24E potential return of merely 11.9% with a 8.3% potential upside plus an expected dividend yield of 4.0% p.a.

Exhibit 27: GGM-based, FY24 TP

Target price	THB169
Sustainable ROE	13.5%
g	3.0%
ROE-g	10.50%
Beta	1.09
Risk free rate	3.0%
Risk premium	6.0%
COE	9.55%
COE-g	6.55%
ROE-g/COE-g (P/BV)	1.60x

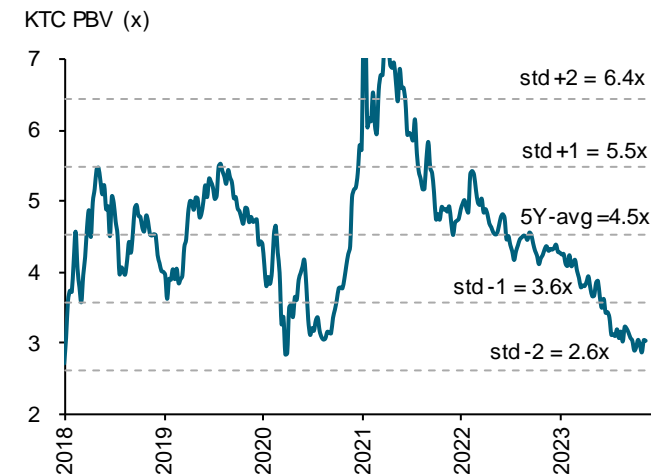
Sources: FSSIA estimates

Exhibit 28: AEONTS – one-year prospective P/BV band



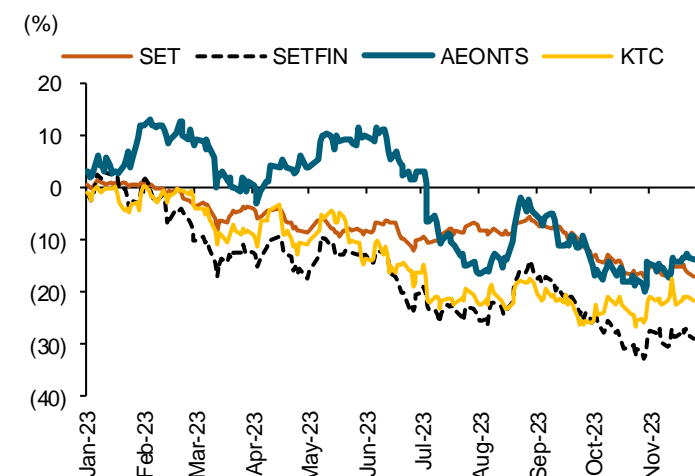
Source: Bloomberg; FSSIA estimates

Exhibit 29: KTC – one-year prospective P/BV band



Source: Bloomberg; FSSIA estimates

Exhibit 30: Price performance year-to-27 Nov 2023



Sources: Bloomberg; FSSIA's compilation

Exhibit 31: Price performance year-to-27 Nov 2023

Price performance					
BBG	1M	3M	6M	1Y	YTD
AEONTS	4.67	4.67	4.67	4.67	4.67
KTC	3.98	3.98	3.98	3.98	3.98
SET Index	(0.15)	(0.15)	(0.15)	(0.15)	(0.15)
SETFIN Index	2.82	2.82	2.82	2.82	2.82

Sources: Bloomberg; FSSIA's compilation

Exhibit 32: Peers comparison, as of 27 November 2023

Company name	code	Rec	Share price	Target price	Up side	PE		PBV		ROE		Div yld	
						23E	24E	23E	24E	23E	24E	23E	24E
			(LCY)	(LCY)	(%)	(x)	(x)	(x)	(x)	(%)	(%)	(x)	(x)
Thailand													
Krungthai Card	KTC TB	HOLD	46.25	49.00	6	16.4	15.1	3.3	2.9	21.7	20.7	2.4	2.4
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	156.00	169.00	8	12.5	11.6	1.6	1.5	13.1	13.2	3.5	4.0
Muangthai Capital	MTC TB	BUY	43.00	44.00	2	19.1	14.9	2.9	2.4	15.6	17.7	0.8	1.0
Srisawad Corp	SAWAD TB	BUY	43.75	54.00	23	11.2	9.5	2.1	1.9	19.7	20.7	4.1	4.6
Ngern Tid Lor	TIDLOR TB	BUY	22.60	28.00	24	16.6	13.8	2.2	2.0	14.2	15.2	1.2	1.5
Average						15.2	13.0	2.4	2.1	16.9	17.5	2.4	2.7

Sources: Bloomberg; FSSIA estimates

Financial Statements

Aeon Thana Sinsap (Thailand)

Profit and Loss (THB m) Year Ending Feb	2021	2022	2023E	2024E	2025E
Interest Income	17,903	19,055	19,338	20,519	21,911
Interest expense	(1,745)	(1,904)	(2,269)	(2,480)	(2,709)
Net interest income	16,158	17,151	17,068	18,039	19,203
Net fees & commission	2,635	3,015	2,966	3,048	3,081
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	254	261	264	267	269
Non interest income	2,888	3,277	3,230	3,314	3,350
Total income	19,047	20,428	20,298	21,353	22,553
Staff costs	(7,671)	(7,962)	(8,124)	(8,580)	(9,094)
Other operating costs	(172)	(253)	(200)	(200)	(209)
Operating costs	(7,844)	(8,215)	(8,325)	(8,780)	(9,304)
Pre provision operating profit	11,203	12,213	11,973	12,574	13,249
Expected credit loss	(6,629)	(7,263)	(7,951)	(8,236)	(8,631)
Other provisions	-	-	-	-	-
Operating profit	4,574	4,950	4,022	4,338	4,618
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	4,574	4,950	4,022	4,338	4,618
Tax	(1,000)	(996)	(809)	(873)	(929)
Profit after tax	3,574	3,954	3,213	3,465	3,689
Non-controlling interest	(21)	(139)	(100)	(105)	(110)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	3,553	3,815	3,113	3,360	3,578
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	3,553	3,815	3,113	3,360	3,578
Per share (THB)					
Recurring EPS *	14.21	15.26	12.45	13.44	14.31
Reported EPS	-	-	-	-	-
DPS	5.15	5.50	5.50	6.25	7.00
Growth					
Net interest income (%)	(2.0)	6.1	(0.5)	5.7	6.5
Non interest income (%)	6.4	13.4	(1.4)	2.6	1.1
Pre provision operating profit (%)	2.9	9.0	(2.0)	5.0	5.4
Operating profit (%)	(2.1)	8.2	(18.7)	7.9	6.4
Reported net profit (%)	(4.4)	7.4	(18.4)	7.9	6.5
Recurring EPS (%)	(4.4)	7.4	(18.4)	7.9	6.5
Reported EPS (%)	-	-	-	-	-
Income Breakdown					
Net interest income (%)	84.8	84.0	84.1	84.5	85.1
Net fees & commission (%)	13.8	14.8	14.6	14.3	13.7
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	1.3	1.3	1.3	1.2	1.2
Operating performance					
Gross interest yield (%)	20.07	20.61	20.13	20.27	20.39
Cost of funds (%)	2.73	2.90	3.40	3.54	3.61
Net interest spread (%)	17.34	17.71	16.73	16.73	16.78
Net interest margin (%)	18.11	18.55	17.77	17.82	17.87
Cost/income(%)	37.67	36.35	36.82	36.82	36.81
Cost/assets(%)	8.8	8.8	8.6	8.6	8.5
Effective tax rate (%)	20.2	20.5	20.0	20.0	20.0
Dividend payout on recurring profit (%)	36.2	36.0	44.2	46.5	48.9
ROE (%)	19.2	17.9	13.1	13.2	13.1
ROE - COE (%)	9.7	8.3	3.6	3.7	3.6
ROA (%)	4.0	4.3	3.3	3.4	3.4
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Aeon Thana Sinsap (Thailand); FSSIA estimates

Financial Statements

Aeon Thana Sinsap (Thailand)

Balance Sheet (THB m) Year Ending Feb	2021	2022	2023E	2024E	2025E
Gross customer loans	91,555	94,462	98,904	105,059	111,516
Allowance for expected credit loss	(10,951)	(10,125)	(10,498)	(9,595)	(9,320)
interest in suspense	(644)	(598)	(810)	(881)	(925)
Net customer loans	79,959	83,739	87,597	94,583	101,271
Bank loans	44	218	173	208	249
Government securities	0	0	0	0	0
Trading securities	-	-	-	-	-
Investment securities	-	-	-	-	-
Cash & equivalents	4,236	3,816	3,029	3,146	3,008
Other interesting assets	117	73	73	73	73
Tangible fixed assets	-	-	-	-	-
Associates	0	0	0	0	0
Goodwill	-	-	-	-	-
Other intangible assets	1,531	1,816	1,539	1,392	1,275
Other assets	4,438	5,400	5,934	6,208	6,526
Total assets	90,469	95,207	98,344	105,610	112,402
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	66,127	67,057	68,087	73,306	78,002
Non interest bearing liabilities	4,078	4,802	5,128	5,319	5,522
Hybrid Capital	-	-	-	-	-
Total liabilities	70,205	71,859	73,215	78,625	83,525
Share capital	-	-	-	-	-
Reserves	19,161	22,093	23,822	25,620	27,448
Total equity	19,889	22,821	24,550	26,348	28,176
Non-controlling interest	375	527	579	637	701
Total liabilities & equity	90,469	95,207	98,344	105,610	112,402
Supplementary items					
Risk weighted assets (RWA)	-	-	-	-	-
Average interest earning assets	-	-	-	-	-
Average interest bearing liabilities	-	-	-	-	-
CET 1 capital	-	-	-	-	-
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	-	-	-	-	-
Per share (THB)					
Book value per share	79.55	91.29	98.20	105.39	112.71
Tangible book value per share	-	-	-	-	-
Growth					
Gross customer loans	3.9	3.2	4.7	6.2	6.1
Average interest earning assets	-	-	-	-	-
Total asset (%)	3.5	5.2	3.3	7.4	6.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	22.0	24.0	25.0	24.9	25.1
Tangible equity/assets (%)	20.3	22.1	23.4	23.6	23.9
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Allowance for ECL/gross loans (%)	12.0	10.7	10.6	9.1	8.4
Allowance for ECL/NPL (%)	-	-	-	-	-
Valuation					
Recurring P/E (x) *	11.0	10.2	12.5	11.6	10.9
Recurring P/E @ target price (x) *	11.9	11.1	13.6	12.6	11.8
Reported P/E (x)	-	-	-	-	-
Dividend yield (%)	3.3	3.5	3.5	4.0	4.5
Price/book (x)	2.0	1.7	1.6	1.5	1.4
Price/tangible book (x)	-	-	-	-	-
Price/tangible book @ target price (x)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Aeon Thana Sinsap (Thailand); FSSIA estimates

AEON Thana Sinsap (Thailand) (AEONTS TB)

FSSIA ESG rating

★★

33.86 /100

Exhibit 33: 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	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Source: FSSIA estimates

Exhibit 34: ESG – peer comparison

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

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 35: ESG disclosure from the company's one report

FY ending Dec 31	FY 2022
Environmental	
Climate change policy	--
Climate change opportunities discussed	--
GHG scope 2 location-based policy	Yes
Biodiversity policy	--
Energy efficiency policy	Yes
Electricity used	Yes
Fuel used - crude oil/diesel	--
Waste reduction policy	Yes
Water policy	Yes
Water consumption	1,133.13
Social	
Human rights policy	Yes
Policy against child labor	--
Quality assurance and recall policy	Yes
Consumer data protection policy	Yes
Equal opportunity policy	Yes
Gender pay gap breakout	--
Pct women in workforce	Yes
Business ethics policy	Yes
Anti-bribery ethics policy	Yes
Health and safety policy	Yes
Lost time incident rate - employees	--
Training policy	Yes
Fair remuneration policy	Yes
Number of employees - CSR	--
Total hours spent by firm - employee training	324
Social supply chain management	--

FY ending Dec 31	FY 2022
Governance	
Board size / Independent directors (ID) / Female	12 / 4 / 2
No. of board meetings for the year / % attendance	12 / 98.61%
Company conducts board evaluations	Yes
Number of non-executive directors on board	2
Director share ownership guidelines	No
Board age limit	No
Age of the youngest / oldest director	61 / 75
Number of executives / female	11 / 3
Executive share ownership guidelines	No
Size of audit committee / ID	3 / 3
Audit committee meetings	10
Audit committee meeting attendance (%)	100
Size of compensation committee	--
Number of compensation committee meetings	--
Compensation committee meeting attendance (%)	--
Size of nomination committee / ID	--
Number of nomination committee meetings	--
Nomination committee meeting attendance (%)	--
Board compensation (THB m)	24.21
Auditor fee (THB m)	7.59
<i>(Deloitte Touche Tohmatsu Jaiyos Audit Company Limited)</i>	

Source: 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.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). (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.)	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. (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.)	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. 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.	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 border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </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 border="1" style="width: 100%;"> <tr> <td style="text-align: center;">AAA</td> <td style="text-align: center;">8.571-10.000</td> <td rowspan="3" style="text-align: center;">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td style="text-align: center;">AA</td> <td style="text-align: center;">7.143-8.570</td> </tr> <tr> <td style="text-align: center;">A</td> <td style="text-align: center;">5.714-7.142</td> </tr> <tr> <td style="text-align: center;">BBB</td> <td style="text-align: center;">4.286-5.713</td> <td rowspan="3" style="text-align: center;">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 style="text-align: center;">BB</td> <td style="text-align: center;">2.857-4.285</td> </tr> <tr> <td style="text-align: center;">B</td> <td style="text-align: center;">1.429-2.856</td> </tr> <tr> <td style="text-align: center;">CCC</td> <td style="text-align: center;">0.000-1.428</td> <td rowspan="1" style="text-align: center;">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. (Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)																					
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

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

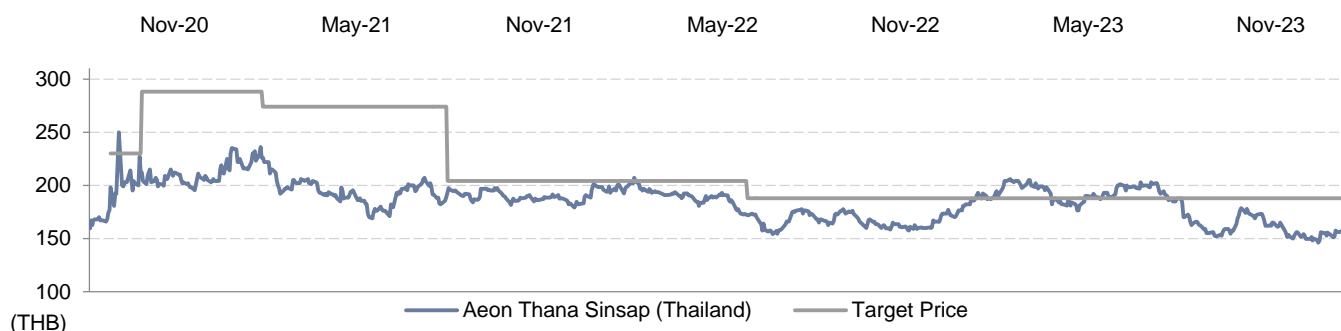
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History of change in investment rating and/or target price

Aeon Thana Sinsap (Thailand) (AEONTS TB)



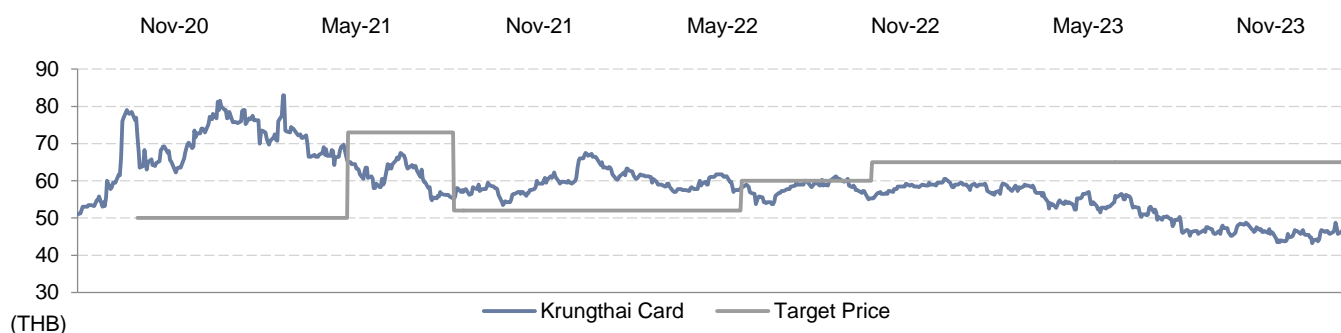
Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
17-Dec-2020	BUY	230.00	28-Apr-2021	BUY	274.00	22-Jun-2022	HOLD	188.00
13-Jan-2021	BUY	288.00	05-Oct-2021	HOLD	204.00			

Usanee Liurut, CISA started covering this stock from 28-Nov-2023

Price and TP are in local currency

Source: FSSIA estimates

Krungthai Card (KTC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Jan-2021	REDUCE	50.00	18-Oct-2021	HOLD	52.00	22-Jun-2022	HOLD	60.00
19-Jul-2021	HOLD	73.00	11-Apr-2022	REDUCE	52.00	12-Oct-2022	BUY	65.00

Usanee Liurut, CISA started covering this stock from 28-Nov-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Krungthai Card	AEONTS TB	THB 156.00	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 46.25	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.

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 27-Nov-2023 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / 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.