

# Finansa Public Company Limited

## Key Rating Drivers

**Standalone Strength Drives Ratings:** Finansa Public Company Limited's (FNS) National Ratings reflect its modest domestic business franchise as a boutique investment bank. The ratings also consider its unstable business model, improving liquidity and intact capital position. The Outlook was revised to Stable from Negative to reflect its improved liquidity and capital profiles, due to cash freed up from the divestment of its leasehold rights, and Fitch Ratings' expectation the company will maintain low leverage corresponding to its risk profile.

**Shifting Business Model:** FNS continues to reduce its dependence on the securities business and increase recurring income from investments in subsidiaries and associates. FNS increased its stake in M.K. Real Estate Development Plc (MK) in 4Q20 to 26.5% from 18.8% previously. Fitch expects the firm to seek further opportunities to diversify its revenue, such as investing in new businesses or increasing its stake in its affiliates over the medium term.

**Improving Liquidity:** The divestment of FNS's entire leasehold rights to the newly setup Prospect Logistics and Industrial Leasehold Real Estate Investment Trust (Prospect REIT) in 3Q20 led to a large realised gain and a substantial rise in liquid assets. The sale proceeds, amounting to about THB1.3 billion, were partly re-invested in the REIT, which is listed on the stock exchange, resulting in a liquidity improvement.

The remaining cash from the transaction has been reserved as liquidity, which can be used to repay debt, with THB400 million maturing in 2021.

**Subdued Profitability:** Fitch expects FNS's profitability to decline steadily in 2021, despite reasonable earnings visibility from its private equity and investment banking pipeline, due to an absence of rental revenue after the sale of its leasehold rights. However, Fitch expects higher dividend payments from its associates - Finansa Syrus Securities Plc (FSS), MK and Prospect REIT - to mitigate the impact, driven by the improving performance of MK and FSS, and the REIT's stable performance.

**Reduced Leverage:** Fitch expects FNS's capital position, measured by adjusted EBITDA/interest expense, to remain stable. FNS's total debt may decline consistently if there is no substantial funding need, such as from new investment requirements. Fitch believes FNS's lower debt will be commensurate with its subdued profitability profile, supporting its National Rating at the current level.

## Rating Sensitivities

**Improving Profitability:** Fitch may upgrade FNS's ratings if the company's profitability improves on a sustained basis, resulting in a steady decline in cash flow leverage.

**Increasing Leverage:** Fitch may downgrade FNS's rating if there is any sign of persistent weakening in financial performance that negatively affects liquidity and leverage. For example, this may result from a weaker business environment than our expectations, dampening the performance of the company's main segments.

Any diversion from the debt repayment plan resulting from higher risk appetite, significant losses from core operations of its subsidiaries or affiliates, or signs of withdrawal in creditors' confidence may also result in a negative rating action.

## Ratings

### National

National Long-Term Rating	BBB-(tha)
National Short-Term Rating	F3(thai)

### Outlooks

National Long-Term Rating	Stable
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## Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (February 2020)

National Scale Rating Criteria (December 2020)

## Related Research

Fitch Revises Outlook on Finansa to Stable; Affirms at 'BBB-(tha)' (January 2021)

Thai Securities Dashboard (January 2021)

Fitch Ratings 2021 Outlook: APAC Broker-Dealer Firms (November 2020)

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## Income Statement

	30 Sep 2020		31 Dec 2019	31 Dec 2018	31 Dec 2017
	9 Months - 3rd Quarter		9 Months - 3rd Quarter		Year End
	USDm	THBm	THBm	THBm	THBm
	Reviewed - Unqualified	Reviewed - Unqualified	Audited - Unqualified	Audited - Unqualified	Audited - Unqualified
Net revenue	18	576.9	241.2	468.1	430.0
Operating profit	9	280.5	-110.6	56.9	76.1
Pre-tax profit	10	302.5	-117.7	84.6	151.1
Net income	8	253.3	-108.3	64.1	132.2
Exchange rate	USD1 = THB31.664		USD1 = THB30.121	USD1 = THB32.417	USD1 = THB32.659

## Balance Sheet

	30 Sep 2020			31 Dec 2019		31 Dec 2018		31 Dec 2017	
	9 Months - 3rd Quarter		As % of Assets	Year End THBm	As % of Assets	Year End THBm	As % of Assets	Year End THBm	As % of Assets
	USDm	THBm							
	USDm	THBm	Assets	THBm	Assets	THBm	Assets	THBm	Assets
<b>Assets</b>									
Total inventory	30	948.2	21.8	172.9	4.2	404.7	9.3	n.a.	n.a.
Total receivables	16	502.0	11.5	36.2	0.9	79.0	1.8	129.7	3.6
Total assets	138	4,359.3	100.0	4,096.7	100.0	4,359.8	100.0	3,592.1	100.0
<b>Liabilities and equity</b>									
Total short-term borrowing	13	420.0	9.6	230.0	5.6	120.0	2.8	340.0	9.5
Deposits	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total other funding	7	221.2	5.1	151.3	3.7	247.3	5.7	242.5	6.8
Long-term debt	27	840.0	19.3	1,040.0	25.4	1,170.0	26.8	730.0	20.3
Total equity	91	2,878.2	66.0	2,675.5	65.3	2,822.5	64.7	2,279.8	63.5
Total liabilities and equity	138	4,359.3	100.0	4,096.8	100.0	4,359.8	100.0	3,592.3	100.0
Exchange rate	USD1 = THB31.664			USD1 = THB30.121		USD1 = THB32.417		USD1 = THB32.659	

Source: Fitch Ratings, Fitch Solutions, FNS

Summary Analytics

	30 Sep 2020	31 Dec 2019	31 Dec 2018	31 Dec 2017
	9 Months - 3rd Quarter	Year End	Year End	Year End
Impaired loans less loan loss allowances/tangible equity (%)	-5.5	-5.9	-5.7	n.a.
Average VaR/tangible equity (%)	n.a.	n.a.	n.a.	n.a.
High VaR (one-day at 99% confidence)/Fitch Core Capital (FCC) (%)	n.a.	n.a.	n.a.	n.a.
Fitch Stress VaR (one-day at 99% confidence)/FCC (%)	n.a.	n.a.	n.a.	n.a.
Average VaR (one-day at 99% confidence, excluding diversifications)/FCC (%)	n.a.	n.a.	n.a.	n.a.
Principal transactions revenue/total revenue (%)	n.a.	n.a.	n.a.	n.a.
EBITDA/revenue (%) **	63.6	6.0	39.6	56.0
Operating profit/average equity (%)	13.3	-4.0	2.2	3.4
Operating expense/total revenue (%)	55.2	136.2	89.1	84.2
Compensation/net revenue (%)	4.6	56.0	45.1	11.5
Adjusted EBITDA /gross revenue (%)	63.6	6.0	39.6	56.0
ROAA (%)	7.9	-2.6	1.6	3.6
ROAE (%)	12.1	-3.9	2.5	5.9
Commissions/gross revenue (%)	n.a.	n.a.	0.0	n.a.
Adjusted leverage (x)	1.5	1.6	1.6	1.6
Gross debt/EBITDA (x) **	2.4	69.6	6.2	4.0
Assets/equity (x)	1.5	1.5	1.5	1.6
Tangible gross leverage	1.5	1.6	1.6	1.6
Gross debt (carrying value)/adjusted EBITDA (x)	2.2	69.6	5.7	3.6
Total Capital Ratio (%)	n.a.	n.a.	n.a.	n.a.
Total debt/equity (%)	43.8	47.5	45.7	46.9
Liquid assets/short-term funding (%) *	342.7	141.5	441.2	143.5
Long-term funding/illiquid assets (%)	127.3	98.5	105.8	105.8
Adjusted EBITDA/interest expense (x)	8.2	0.3	3.9	5.2

\*Benchmark ratios for High Balance Sheet Usage Securities Firms

\*\* Benchmark ratios for Low Balance Sheet Usage Securities Firms

Source: Fitch Ratings, Fitch Solutions, FNS

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