

28 DEC 2021

Fitch Places Finansa's National Ratings on Watch Negative

Fitch Ratings - Bangkok - 28 Dec 2021: Fitch Ratings (Thailand) Limited has placed Finansa Public Company Limited's (FNS) National Long- and Short-Term Ratings of 'BBB-(tha)' and 'F3(tha)', respectively, on Rating Watch Negative (RWN).

Key Rating Drivers

The RWN reflects uncertainty over FNS's business direction and a potentially significant weakening in its financial profile after the disposal of its 29.3% stake in Finansia Syrus Securities Public Company Limited (FSS; BBB+(tha)/Stable). Profit sharing from FSS contributed substantial recurring income for FNS, with a 9M21 operating profit contribution of THB67 million compared with FNS's net loss of THB9 million. The removal of this income will adversely affect key financial calculations, such as EBITDA, and core ratios in measuring profitability (EBITDA/revenue), capitalisation (gross debt/EBITDA) and funding and liquidity (EBITDA/interest expense).

We expect funds from the disposal to be partly used to repay debt, with the rest reinvested to generate additional income streams for future debt servicing. However, FNS's investment plans and the potential financial impact remain to be seen.

Fitch expects to resolve the RWN within six months, following an update on FNS's strategic direction, balance-sheet structure, and plans to generate recurring income over the medium term.

RATING SENSITIVITIES

Factors that could, individually, or collectively, lead to negative rating action/downgrade:

Fitch may downgrade FNS's rating if we believe its earnings and cash generation will be persistently weakened compared with its debt after assessing its debt-reduction and asset-reinvestment plans. Any further changes in the company