

COUNTRY GROUP SECURITIES PLC

No. 177/2021
18 October 2021

FINANCIAL INSTITUTIONS

Company Rating: BBB-
Outlook: Stable

Last Review Date: 16/10/20

Company Rating History:

Date	Rating	Outlook/Alert
22/10/18	BBB-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Country Group Securities PLC (CGS) at “BBB-” with a “stable” rating outlook. The rating primarily reflects the company’s status as a core subsidiary of Country Group Holdings PLC (CGH). The rating on CGS is equivalent to the company rating on CGH (“BBB-/Stable”, rated by TRIS Rating) according to TRIS Rating’s “Group Rating Methodology”.

KEY RATING CONSIDERATIONS

A core subsidiary of CGH

TRIS Rating assesses CGS as a core subsidiary of CGH as it is the sole operating subsidiary of CGH. CGS’s revenue contribution to CGH stood at 87.5% in the first half of 2021 (1H21) and 91.2% in 2020. CGS’s operations, business strategy, as well as investment and risk management policies are determined and closely monitored by CGH via board representatives. We consider CGS to be directly linked to CGH’s reputation due to the shared brand name. We believe CGS will remain a core subsidiary of CGH in the foreseeable future, supported by the continuous expansion of its existing business to generate crucial earnings for the group. The management’s plan to venture into new businesses such as digital assets, if successful, could also enhance CGS’s importance to the group.

Steadily improving performance

CGS’s improving competitive position in the securities brokerage business has continued to strengthen its financial performance over the past few years, meeting the group’s expectations and strategic objectives for the company. The company has steadily achieved a higher revenue market share in the brokerage business. Brokerage revenue rose by 35% year on year (y-o-y) in 1H21, following a 74% y-o-y growth in 2020.

Ongoing financial support

The company’s group status is enhanced by the financial support received from the group. CGH provided funding for the company in the form of subordinated debentures totaling THB750 million at the end of June 2021. The company also had credit facilities from financial institutions to support its operations. At the end of June 2021, the company had credit lines for a total of THB1.4 billion, around 85% of which were undrawn.

BASE-CASE ASSUMPTIONS

TRIS Rating’s base-case assumption is that CGS will remain a core subsidiary of CGH.

RATING OUTLOOK

The “stable” outlook reflects our expectation that CGS will maintain its status as the core subsidiary of CGH and will continue its crucial revenue and profit contribution to the group.

RATING SENSITIVITIES

The rating and/or outlook on CGS moves in tandem with those on CGH. CGS’s rating could be downgraded if we view that CGS’s status to CGH weakens.

COMPANY OVERVIEW

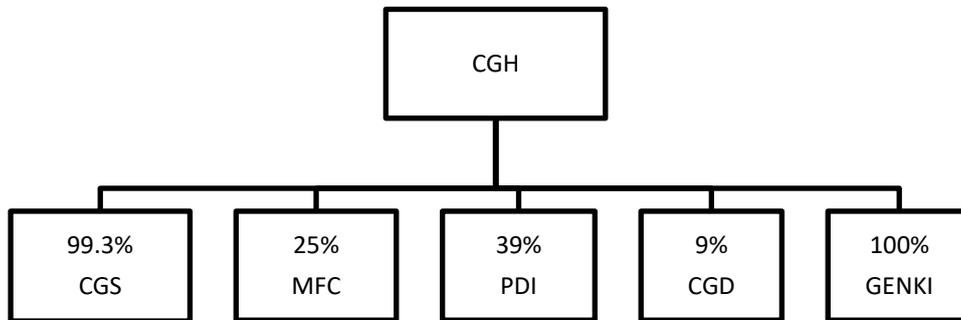
CGS has been granted licenses to offer a full range of services in the securities industry. As of June 2014, CGS employed 780 staff, across 46 branches nationwide. The company was originally registered under the name “Adkinson Enterprise Co., Ltd.” in 1966. The company changed its name to “Adkinson Securities Co., Ltd.” in 1979, was converted to a public company in 1994, and became “Country Group Securities PLC” in 2009.

In 2006, the company’s shareholding structure changed significantly. The controlling shareholders changed from the Kewkacha family to the Taechaubol family. The Kewkacha family continues to hold some shares but has left management of the company to the Taechaubol family. As of May 2014, the Taechaubol family held 18.3% of the company’s outstanding shares.

In 2014, CGH was established as a holding company of CGS, and CGH made a tender offer for all shares of CGS effective on 8 January 2014.

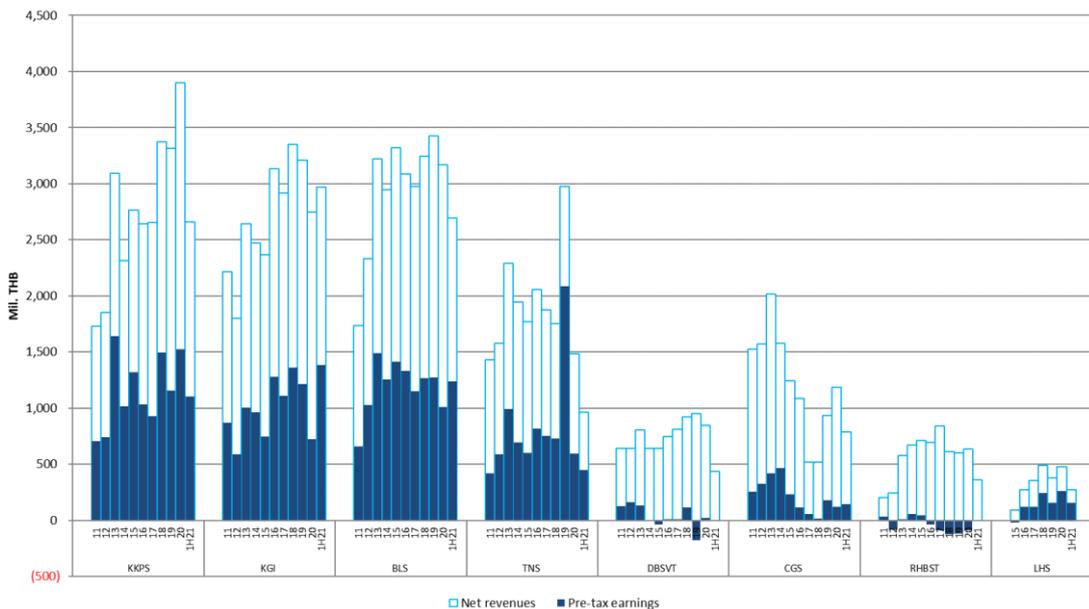
In 2016, CGS sold some of its retail brokerage business to UOB Kay Hian Securities (Thailand) PLC. The company then received a permit from the Securities and Exchange Commission (SEC) to commence its private fund management business in June 2017.

Chart 1: CGH Group Structure as of Sep 2021



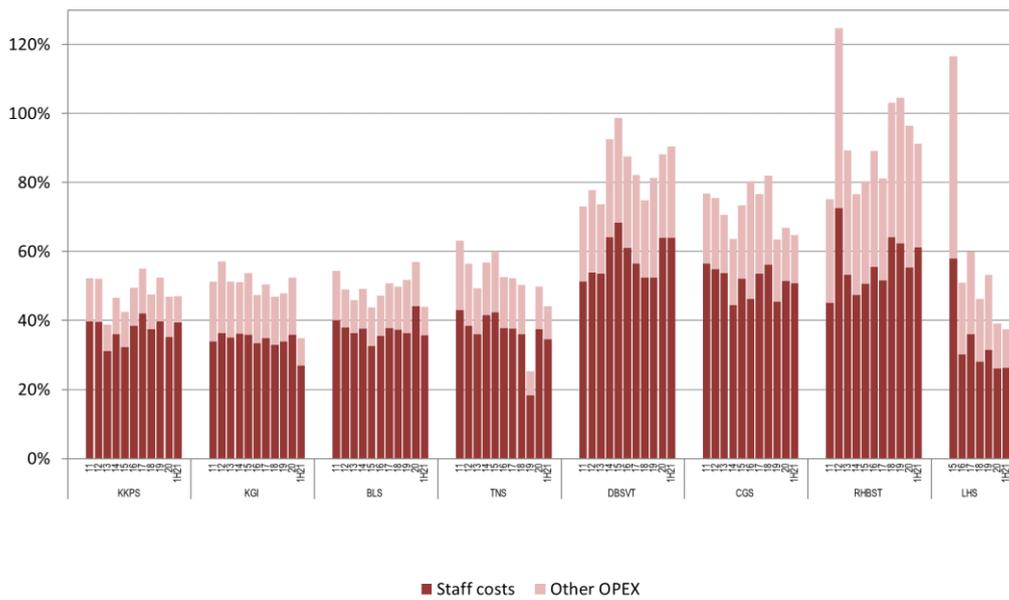
KEY OPERATING PERFORMANCE

Chart 1: Net Revenues and Pre-tax Earnings of Selected Brokers in 2011-1H2021



Sources: Financial statements of each company

Chart 2: Staff Cost and Other Operating Expenses of Selected Brokers in 2011-1H2021 (% of Net Revenues)



Sources: Financial statements of each company

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Jun 2021	----- Year Ended 31 December -----			
		2020	2019	2018	2017
Total assets	5,585	5,831	4,540	5,084	4,524
Net Investment in securities	1,889	2,548	1,921	2,469	1,892
Total securities business receivables and accrued interest receivables	2,307	2,461	2,266	1,702	1,170
Allowance for doubtful accounts	409	409	369	360	376
Total debts	1,101	1,220	863	211	144
Shareholders' equity	2,029	1,926	1,946	2,869	2,870
Net securities business income	637	941	758	419	436
Total income	830	1,293	958	535	523
Operating expenses	511	795	591	426	396
Interest expenses	41	106	26	15	6
Net income	108	116	138	17	46

Unit: %

	Jan-Jun 2021	-----Year Ended 31 December -----			
		2020	2019	2018	2017
Profitability					
Brokerage fees/total revenues	78.4	75.9	57.8	57.5	42.4
Fees and services income/total revenues	8.9	8.0	14.8	16.1	12.3
Gain (loss) from trading/total revenues	1.6	0.2	14.0	5.3	27.5
Operating expenses/net revenues	64.8	67.0	63.5	81.9	76.7
Pre-tax margin	18.1	10.3	19.2	3.1	10.5
Return on average assets	3.8 *	2.2	2.9	0.4	1.0
Earning before taxes/risk-weighted assets	3.0 *	1.3	1.9	0.2	0.7
Asset Quality					
Classified receivables/gross securities business receivables	18.6	17.5	17.1	22.8	33.9
Allowance for doubtful accounts/gross securities business receivables	17.7	16.6	16.3	21.1	32.1
Credit costs (reversal)	0.0 *	2.2	0.5	(0.7)	1.1
Capitalization					
Leverage ratio	34.5	31.1	39.8	56.6	62.6
Risk-adjusted capital	21.2	17.8	20.5	28.7	32.2
Funding and Liquidity					
Gross stable funding ratio	107.5	77.7	98.6	148.3	207.9
Liquidity coverage metric	0.9	0.7	0.7	6.3	10.1

* Annualized

RELATED CRITERIA

- Group Rating Methodology, 13 January 2021

Country Group Securities PLC (CGS)

Company Rating:	BBB-
Rating Outlook:	Stable

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