

NEXT CAPITAL PLC

No. 118/2025
22 July 2025

FINANCIAL INSTITUTIONS

Company Rating: BBB-
Outlook: Stable

Last Review Date: 14/08/24

Company Rating History:

Date	Rating	Outlook/Alert
19/08/22	BBB-	Stable

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RATIONALE

TRIS Rating affirms the company rating on Next Capital PLC (NCAP) at “BBB-” with a “stable” outlook. The rating reflects the company’s strong capital base, as well as adequate funding and liquidity.

The rating also incorporates the company’s business position as a mid-sized motorcycle hire-purchase (HP) provider and its earnings decline following the interest rate limit imposed on motorcycle HP loans. While asset quality has gradually improved compared with the past, the rating remains constrained by the uncertain economic environment that could lead to resurgent asset quality deterioration and earnings volatility.

KEY RATING CONSIDERATIONS

Strong capitalization

NCAP’s capital position remains at a “strong” level. The company’s capital, as measured by the risk adjusted capital (RAC) ratio, stood at 24.8% at the end of the first quarter of 2025 (1Q25), similar to the levels at the end of 2024 and 2023.

We expect the RAC ratio to remain in the range of 24%-26% in 2025-2027. This is based on the following assumptions: 1) outstanding loans to increase at a measured pace to around THB11 billion by the end of 2027 from THB9.9 billion at the end of 1Q25; and 2) dividend pay-out ratio to be around 20%. However, aggressive expansion, which led to the RAC ratio falling below 15% for a sustained period, could impact the rating.

Moderate business position

NCAP continues to maintain its status as one of the top-four motorcycle HP providers in 2024, according to TRIS Rating’s database. As of March 2025, NCAP’s total motorcycle HP portfolio rose to THB9.9 billion, up by 4.8% year on year (y-o-y).

We expect the company to continue growing its loan portfolio gradually over the next few years at 5% growth rate per annum, given its focus on earnings and asset quality on the back of uncertain economic conditions.

We expect the company to maintain its strategic focus on motorcycle HP as its core business, with diminishing contributions from other products, including used truck HP and motorcycle title loans. The company has decided to cease new used truck HP bookings starting from 4Q23 due to its relatively lower profitability compared with motorcycle leasing, and because the truck segment did not align with the company’s risk appetite. The company is currently in the process of winding down its existing loan portfolio in this segment. Meanwhile, the motorcycle title loan business, which commenced in the second half of 2024, is likely to remain modest given the company’s cautious expansion plan.

Major improvement in asset quality

NCAP’s asset quality has improved significantly since 4Q24, with the positive momentum continuing into 1Q25. The company’s non-performing loan (NPL) ratio declined to 1.8% at the end of 4Q24 and further to 1.5% at the end of 1Q25, from 2.4% at the end of 2023. This improvement is a result of stricter underwriting policies and enhanced collection processes implemented since

mid-2022, as part of the company's strategy to mitigate the impact of the interest rate cap.

Credit costs also declined, falling to 6.3% in 4Q24 and 5.0% in 1Q25, down from the levels above 8% previously. We believe the 5%-6% range marks a new baseline for the company's credit cost. Notably, the quality of new bookings has improved and begun to stabilize, with noticeable progress seen in lower delinquencies since the first half of 2024. We expect the continued strengthening of asset quality to support a sustained recovery in earnings.

Looking ahead to 2026, the company's asset quality could face pressure from the weak economy, stemming from external uncertainties, mainly US tariffs and geopolitical tensions. These external risks may challenge the current trajectory of improvement, but the potential impact on the company's rating is expected to remain limited.

Recovery of earnings capability support rating

TRIS Rating expects NCAP's earnings capacity, as measured by earnings before taxes to average risk-weighted assets (EBT/ARWA), to remain above 2.5% over the next few years, underpinning the rating on NCAP at the current level. This anticipated recovery from the 2022-2024 levels would largely be driven by yield stabilization and continued improvement in asset quality.

The company's net yield is projected to stay within the 16%-17% range during 2025-2027, consistent with the 16.3% recorded in 2024 and 1Q25. We also estimate credit costs to range from 5%-6% over the same period, a notable decline from the past. These improvements support our projection for a net profit in excess of THB400 million annually through 2027.

Adequate liquidity and funding support

NCAP's funding and liquidity position is assessed as "adequate", supported by relationships with various financial institutions and a large proportion of long-term fundings.

The company's capital structure comprised 28% short-term borrowings, 24% long-term borrowings, and 48% equity as of March 2025. At the end of 1Q25, short-term obligations, including the current portion of long-term borrowings, accounted for 54% of total borrowings.

Additionally, the company estimates cash inflows from customer loan repayments of approximately THB300-THB400 million per month over the next 12 months (July 2025-June 2026). Given the diversified repayment schedule and adequate liquidity position, these cash inflows are expected to be sufficient to meet monthly debt obligations. The company plans to use internal cash flow to repay its debenture maturing in August 2025.

NCAP has a more diverse relationship with various financial institutions that provide credit facilities, compared with direct peers. At the end of June 2025, its total outstanding credit lines with financial institutions amounted to THB4.6 billion, all of which were clean loans. In addition, the two largest shareholders, COM7 PLC (COM7) and Synnex (Thailand) PLC (SYNEX), have both been providing financial support in the forms of credit lines and equity injections to NCAP.

BASE-CASE ASSUMPTIONS

TRIS Rating's base-case assumptions for NCAP's operations during 2025-2027 are as follows:

- Outstanding portfolio to grow by around 5% per annum.
- RAC ratio to remain around 25%.
- Net loan yield¹ to remain around 16%-17%.
- Credit cost to be around 5.0%-6.0%.
- Operating expense to total income ratio to be around 35%.

RATING OUTLOOK

The "stable" outlook is based on our expectation that the company's profitability and capital will remain in line with our base-line projections. The outlook is also premised on our anticipation that NCAP will maintain its market position in the motorcycle HP business.

RATING SENSITIVITIES

The rating and/or outlook upside is unlikely in the near term. In the longer term, a rating upgrade is possible if NCAP's RAC ratio rises above 30% on a sustained basis, while its market position steadily improves and its asset quality and operating performance continue to strengthen.

¹ Net loan yield = Gross yield – Commission expenses

The rating and/or outlook could be revised downward should NCAP's asset quality deteriorate beyond our base-case assumption, causing credit costs to rise and EBT/ARWA to fall below 1.5%, or capital adequacy as measured by the RAC ratio to fall below 15% for a sustained basis.

COMPANY OVERVIEW

NCAP was established on 17 August 2004 with registered capital of THB8 million under the name BAF (Thailand) Co., Ltd. by Mitsui & Co., Ltd., a company in the Mitsui Group Japan. The company initially provided HP loans exclusively for Yamaha motorcycles (captive finance). In 2014, the company began expanding the scope of its business, providing HP loans for motorcycles under other brands, such as Honda, Vespa, Kawasaki, and Suzuki.

In 2017, Mitsui Group Japan reduced its share of the company's registered capital to 25% and, in 2019, sold all its remaining shares. The major shareholders of the company as of the end of 2019 were COM7 and SYNEX, each holding 40% shares of the THB300-million paid-up registered capital. The company became a public company in March 2020, and its registered capital was increased to THB450 million. Shares were offered to the public through an initial public offering (IPO) in November 2020. The major shareholders of the company as of the end of March 2025 were COM7 and SYNEX, holding 34.3% and 27.0% of the paid-up registered capital, respectively.

NCAP operates the HP lending business, focusing on retail customers seeking to buy new motorcycles. The company reaches its customers via local dealers who are the company's business partners. The company offers services across all regions of Thailand with the southern region being the largest market followed by Bangkok and the northern region.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

		----- Year Ended 31 December -----				
	Jan-Mar 2025	2024	2023	2022	2021	
Total assets	10,336	10,139	10,079	8,360	5,831	
Total loans	9,891	9,626	9,255	7,438	5,492	
Allowance for expected credit loss	390	400	447	544	314	
Short-term debts	2,808	2,135	2,284	1,757	1,141	
Long-term debts	2,360	3,024	3,002	2,081	2,207	
Shareholders' equity	4,832	4,702	4,467	4,230	2,008	
Net interest income	334	1,276	1,327	1,352	931	
Expected credit loss	123	751	737	875	363	
Non-interest income	135	473	440	411	350	
Operating expenses	178	697	707	679	532	
Earnings before taxes	168	301	324	210	389	
Net income	134	240	260	165	311	

Unit: %

	Jan-Mar 2025	----- Year Ended 31 December -----			
		2024	2023	2022	2021
Profitability					
Net interest income/average assets	13.03 **	12.62	14.39	19.06	17.75
Non-interest income/average assets	5.29 **	4.68	4.78	5.79	6.74
Operating expenses/total income	33.38	34.56	35.62	35.31	38.48
Operating profit/average assets	6.56 **	2.98	3.51	2.96	7.43
Earnings before taxes/average risk-weighted assets	3.53 **	1.64	1.99	1.64	4.23
Return on average assets	5.25 **	2.37	2.82	2.32	5.93
Return on average equity	11.26 **	5.23	5.98	5.28	16.88
Asset Quality					
Non-performing loans (NPL)/total loans	1.54	1.84	2.40	3.05	1.42
Expected credit loss/average loans	5.04 **	7.96	8.83	13.53	7.81
Allowance for expected credit loss/NPL	256.03	226.56	201.36	239.80	402.20
Capitalization					
Risk-adjusted capital ratio	24.77	24.83	24.84	28.70	18.11
Debt/equity (times)	1.14	1.16	1.26	0.98	1.90
Liquidity					
Stable funding ratio	127.06	139.57	134.75	145.24	120.37
Liquidity coverage measure (times)	0.02	0.06	0.15	0.30	0.05
Short-term debts/total liabilities	51.03	39.26	40.70	42.56	29.85

* Consolidated financial statements

** Annualized

RELATED CRITERIA

- Financial Institution Rating Methodology, 25 September 2024

Next Capital PLC (NCAP)

Company Rating:	BBB-
Rating Outlook:	Stable

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