

# THAILAND PRIVATE CREDIT – INNOVATION IN CORPORATE FINANCING

**Due to the lack of support from the traditional banking sector and the higher cost of capital in the bond market, share pledge financing is becoming an integral channel to access capital in Thailand. Using margin loans as a proxy, equity-backed loans have seen consistent growth since 1Q20.**

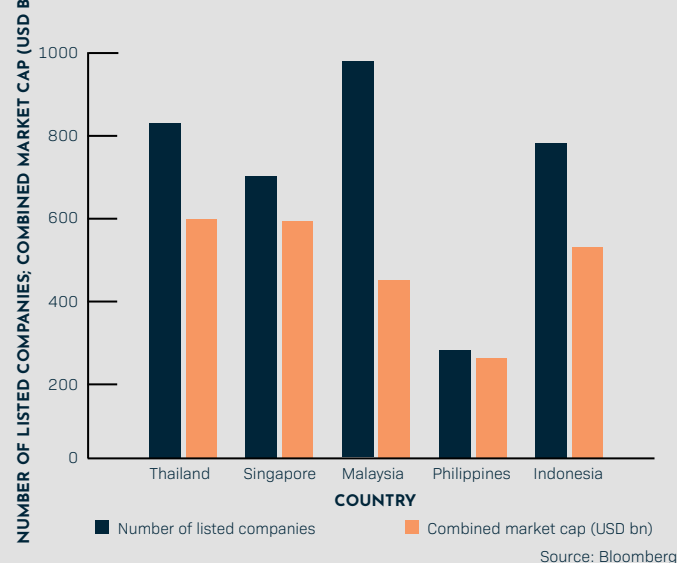
## BACKDROP

- Thailand is one of the largest markets in Southeast Asia by market capitalization. Companies listed in Thailand also tend to have higher liquidity when compared with other countries in Southeast Asia.
- Since the pandemic, Thai banks have become more restrained in lending due to concerns around the recent spike in non-performing loans (NPLs).
- Given the challenges in securing bank financing, many small-to-mid sized companies are competing in the bond market for capital.
- Margin loan business has consistent growth since 1Q20.

## KEY TAKEAWAYS

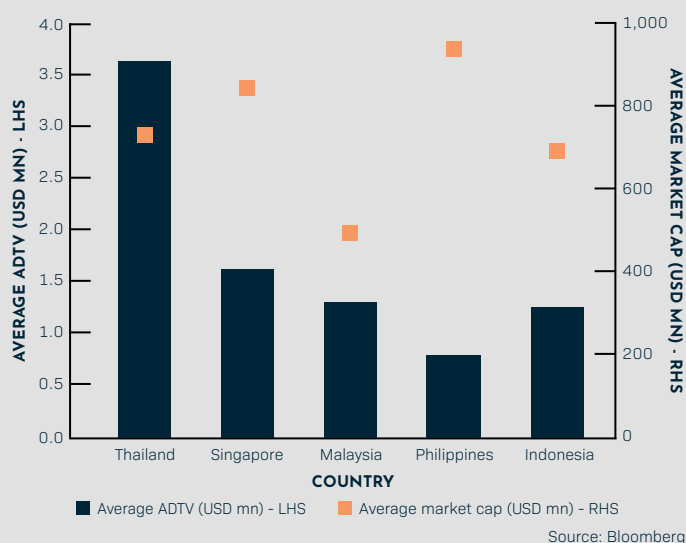
- 01 Due to the lack of support from the traditional banking sector and the higher cost of raising capital in the bond market, share pledge financing has become an attractive channel to access capital via private credit.
- 02 There is increasing demand for share-backed financing as implied by the recent growth in margin loans, a form of share pledge financing with relatively lower LTV.
- 03 Thailand is a key market for EquitiesFirst which has been operating in the region since 2014.
- 04 Among Thai listed companies, 444 (54%) are eligible for EquitiesFirst's financing.

**COMPARATIVE SIZE OF SOUTHEAST ASIAN MARKETS**



Thailand has 826 listed companies and a combined market capitalization of USD 588.5mn\*. It is larger than its neighbors in Southeast Asia, including Singapore.

**AVERAGE MARKET CAP & LIQUIDITY COMPARISON**



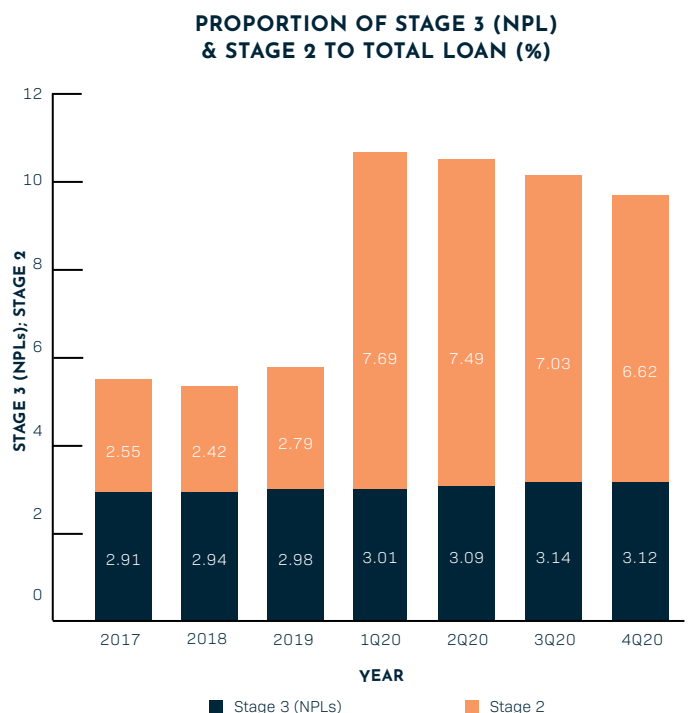
Companies listed in Thailand also tend to have higher liquidity. As of 15 March 2021, listed companies in Thailand had USD 3.6mn average daily trading volume (ADTV). In comparison, the range for other Southeast Asian countries is USD 0.8mn to USD 1.6mn.

\* As of 15 March 2021

Source: Bank of Thailand, Bloomberg (data as of 15 March 2021)

## Thai banks are more reticent to lend

During the pandemic, Thai banks have become more reticent to lend because they are concerned about the increase in non-performing loans (NPLs). The Bank of Thailand categorizes NPLs under Stage 3 while Stage 2 is defined as loans with significant increase in credit risk.

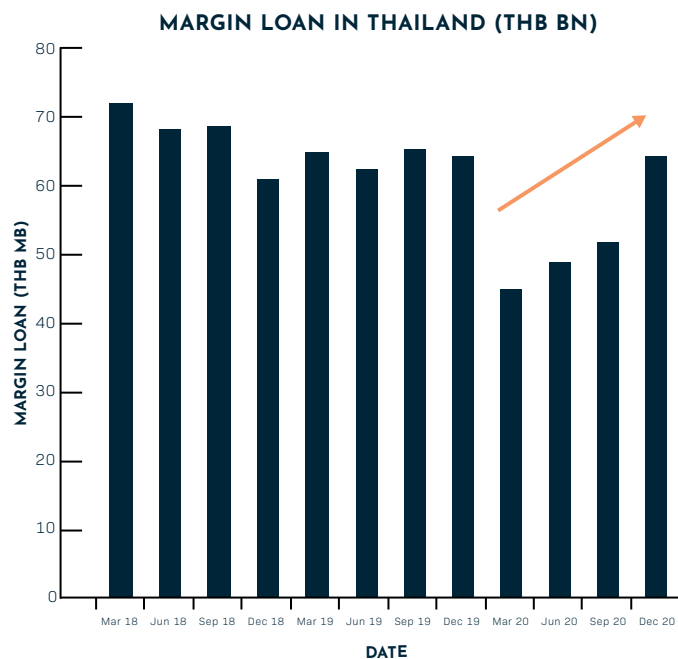


Although the proportion of NPLs to total loans has not increased meaningfully from 2017 to 2020, the proportion of loans under Stage 2 with higher credit risk has increased by >250% from 2019 to 2020. As a result, Thai banks have become more reticent in lending and small-to-mid sized companies are experiencing difficulties in securing new bank loans.

## SMEs are competing for capital in the bonds market

Given the challenge in securing bank loans, many small-to-mid sized companies are competing in the bond market. Thai companies with credit rating A- and below have already raised about THB 55bn (USD 1.79bn) in long-term corporate bonds in the first two months of this year. The Thai Bond Market Association (TBMA) predicted earlier this year that approximately THB 750bn (USD 24.38bn) in corporate bonds will be issued in 2021, up from THB 685.5bn (USD 22.2bn) in 2020.

## Innovation in corporate financing



Due to the lack of support from the traditional banking sector and the higher cost of raising capital from the bond market, share pledge financing has become an alternative channel to access capital via private credit.

Margin loans in Thailand can be considered a proxy for this type of lending. After volumes declined in the early days of the pandemic, margin loans recovered rapidly over the past year. According to The Securities and Exchange Commission Thailand, the dollar value the margin loans in Thailand has increased from THB 44.55bn in 1Q20 to THB 63.845bn in 4Q20. While a more prevalent form of equity-backed lending, margin loans have an implied LTV of around 30% only.

Share pledge financing can be a funding alternative in raising capital at the shareholder level, offering more competitive pricing than bonds and a higher LTV than typical margin loan.

## CONTACT US



### GORDON CROSBIE-WALSH

CEO Asia

+852 3958 4589

gcrosbie-walsh@equitiesfirst.com

### BANGKOK

+66 2059 0242

THinfo@equitiesfirst.com

### BEIJING

+86 10 5929 8670

info@equitiesfirst.com

### HONG KONG

+852 3958 4500

HKinfo@equitiesfirst.com

### SEOUL

+82 2 6370 5180

info@equitiesfirst.com

### SHANGHAI

+86 21 8033 3601

info@equitiesfirst.com

### SINGAPORE

+65 6978 9100

SGinfo@equitiesfirst.com

**DISCLAIMER**

**HK, China, Singapore** - Equities First Holdings Hong Kong Limited holds a Hong Kong Securities and Futures Commission Type 1 License and is licensed in Hong Kong under the Money Lenders Ordinance (Money Lender's Licence No. 1839/2020). EquitiesFirst ("EquitiesFirst" refers to Equities First Holdings LLC, and all subsidiaries of such company in all countries where they are engaged in business activities of any nature). This document is prepared by EquitiesFirst. It is not intended as an offer to sell securities or a solicitation to buy any product managed or provided by Equities First. It aims to provide general information on the EFH loan facility which is not authorized for retail use in Hong Kong and is only available for Professional Investors. This document is not directed to individuals or organizations for whom such offers or invitations would be unlawful or prohibited. Past performance is not a guarantee or a reliable indicator of future results. All investments contain risk and may lose value. The information contained herein may be incomplete or incomprehensive. Accordingly, the information is qualified in its entirety by the terms applicable to the facility as set out in its constitutive documents (Loan Documents) and should be read together with such Loan Documents. This presentation has been prepared without consideration of the investment objectives, financial situation, or particular needs of any individual investor. You should consider your own investment objectives, financial situation, and particular needs before taking any action with respect to a financial product referred to in this presentation. In preparing this presentation, EFH is assuming your organization is capable of evaluating the merits and risks of any financial transaction described herein and its suitability for your organization's purposes and its legal, taxation, accounting, and financial implications and that in making this evaluation you are not reliant on any recommendation or statements made by EFH. Before entering into any transaction EFH strongly encourages you to independently assess these things and fully understand the transaction in its entirety. EFH does not act as an adviser in any capacity and strongly recommends all borrowers seek independent advisement when assessing the transaction and its suitability. To the extent it is permitted by applicable law, Equities First, its affiliates, and any officer or employee of Equities First or its affiliates do not accept any liability whatsoever for any direct or consequential loss arising from the use of this presentation or its contents, including for negligence. Trading in equities, futures, options, commodities, currencies, or derivatives can have risks and is not appropriate for all persons. Under some market conditions, it may be impossible to liquidate a position. Copyright protections exist in this presentation. The contents of this presentation are strictly confidential and may not be disclosed, reproduced, distributed, or published by any person for any purpose without the expressed written consent of EFH, LLC. EFH makes no guarantee, representation, or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of Equities First only and are subject to changes without notice. Further information is available upon request.

**Korea** - The foregoing is intended solely for sophisticated investors, professional investors or otherwise qualified investors who have sufficient knowledge and experience in entering into securities financing transactions such as securities repo or securities loan transaction. It is not intended for, and should not be used by, persons who do not meet that criteria. Information provided herein is for information purposes only and does not constitute an offer to sell (or solicitation of an offer to purchase) the securities or investments referenced herein ("Offer"). Any such Offer shall only be made through a relevant offering or other documentation which sets forth its material terms and conditions. The foregoing does not provide or purport to provide investment advice, nor does it provide or purport to provide any legal or financial advisory or other professional advice or services which are regulated in jurisdiction in which EquitiesFirst (Equities First Holdings, LLC and its subsidiaries) operates, does business, resides, including, Republic of Korea or that may otherwise have regulatory authority over EquitiesFirst. The foregoing has been prepared by EquitiesFirst based on or derived from sources EquitiesFirst reasonably believes to be reliable. However, EquitiesFirst has not independently examined or verified the information provided herein and no representation is made that it is accurate or complete. Opinions and information herein are subject to change without notice.

**Thailand** - EquitiesFirst ("EquitiesFirst" refers to Equities First Holdings LLC, and all subsidiaries of such company in all countries where they are engaged in business activities of any nature). The foregoing is intended solely for certain, or certain class of, recipient who is qualified to independently consider and act on the information provided herein pursuant to laws and regulations applicable to such recipient. As such, the information provided herein is for information purposes only and does not constitute an offer to sell (or solicitation of an offer to purchase) the securities or investments referenced herein, to participate in any particular trading strategy, or to provide any particular advisory services ("Offer"), in any jurisdiction in which such Offer would be illegal. Any Offer shall only be made through the relevant offering or other documentation which sets forth its material terms and conditions pursuant to applicable laws and regulations. The foregoing and any non-public information contained therein are confidential and have been provided solely for the benefit of the intended recipient and for the limited purpose of the potential transaction that the intended recipient has already discussed with the Company. Except with the Company's prior written consent, such confidential information may not be shared with any party other than with professional advisors and affiliates of the intended recipient, in which case the information may be shared for such limited purpose and on a need-to-know basis. If you are not the intended recipient of the foregoing, any disclosure, copying, distribution or use of its content is strictly prohibited. The foregoing does not provide or purport to provide investment advice and has been prepared by the Company based on or derived from sources the Company reasonably believes to be reliable. The Company has not independently examined or verified the information provided herein and no representation is made that it is accurate or complete. Before acting on any information, the recipient is thus encouraged to seek independent financial and/or legal advice. Opinions and information herein are subject to change without notice.