

PI SECURITIES PLC

No. 181/2022
17 October 2022

FINANCIAL INSTITUTIONS

Company Rating: BBB-
Outlook: Stable

Last Review Date: 18/10/21

Company Rating History:		
Date	Rating	Outlook/Alert
22/10/18	BBB-	Stable

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RATIONALE

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

KEY RATING CONSIDERATIONS

A core subsidiary of CGH

TRIS Rating views Pi as a core subsidiary of CGH as it is the sole operating subsidiary wholly owned by CGH. Pi contributed 98.2% of CGH’s revenue in the first half of 2022 (1H22) and 68.6% in 2021. Pi is also connected to CGH from a management perspective as its business directions and operations are influenced by representatives of CGH who sit on Pi’s board of directors. CGH also oversees the group funding and investment strategy.

We believe Pi will remain a core subsidiary of CGH in the foreseeable future, supported by the continuous expansion of its existing business to generate significant earnings for the group. In addition, the management’s plan to undertake new initiatives such as Pi Financial and Pi digital assets brokerage business, if successful, would also enhance Pi’s importance to the group.

Steadily improving performance

Pi’s market position in the securities and derivatives brokerage business has improved continuously in recent years. The company’s revenue market share in the securities brokerage business grew to 2.7% in 2021 and in 1H22 from 0.9% in 2017. Its revenue share in derivatives brokerage ranked first in the industry in 2021 with a share of 14.5% and in 1H22 with a share of 15.0% from 0.4% in 2017. Brokerage revenue declined 6% year-on-year (y-o-y) in 1H22, following a 17% y-o-y contraction in market turnover in the same period. Overall, Pi has demonstrated improved competitiveness in the brokerage business which is helping strengthen its financial performance and meeting expectations and strategic objectives of the group.

Constant financial support

The company’s core group status is strengthened by the financial support it receives from the group. CGH provided funding for the company in the form of subordinated debentures totaling THB300 million at the end of June 2022. The company also had credit facilities from financial institutions to support its operations. At the end of June 2022, the company had access to credit facilities totaling THB1.6 billion, around 75% of which were undrawn.

BASE-CASE ASSUMPTIONS

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

RATING OUTLOOK

The “stable” outlook reflects our view that Pi will maintain its status as the core subsidiary of CGH and will continue to contribute significant revenues and profit to the group.

RATING SENSITIVITIES

The rating and/or outlook on Pi could be revised upward or downward should there be any changes in CGH’s credit profile or if there are any changes in our view on Pi’s group status to CGH.

COMPANY OVERVIEW

Pi (previously known as CGS) has been granted licenses to offer a full range of services in the securities industry. 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” (CGS) in 2009.

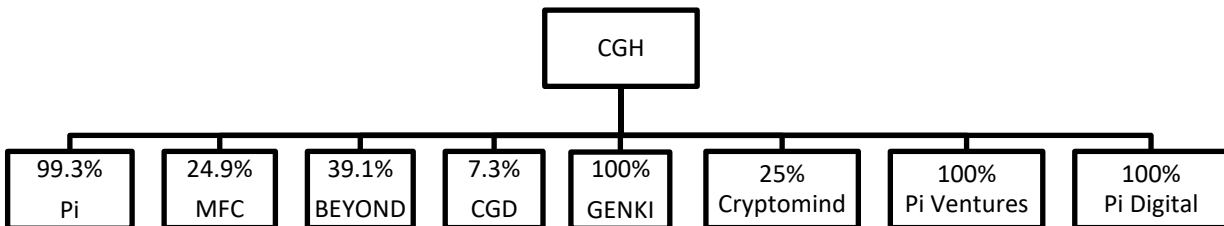
In 2006, the company’s shareholding structure changed significantly. The controlling shareholders changed from the Kewkacha family to the Taechaubol family. The Kewkacha family continues to hold some shares but has left management of the company to the Taechaubol family. As of May 2014, the Taechaubol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

In 2014, CGH was established as a holding company, making 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.

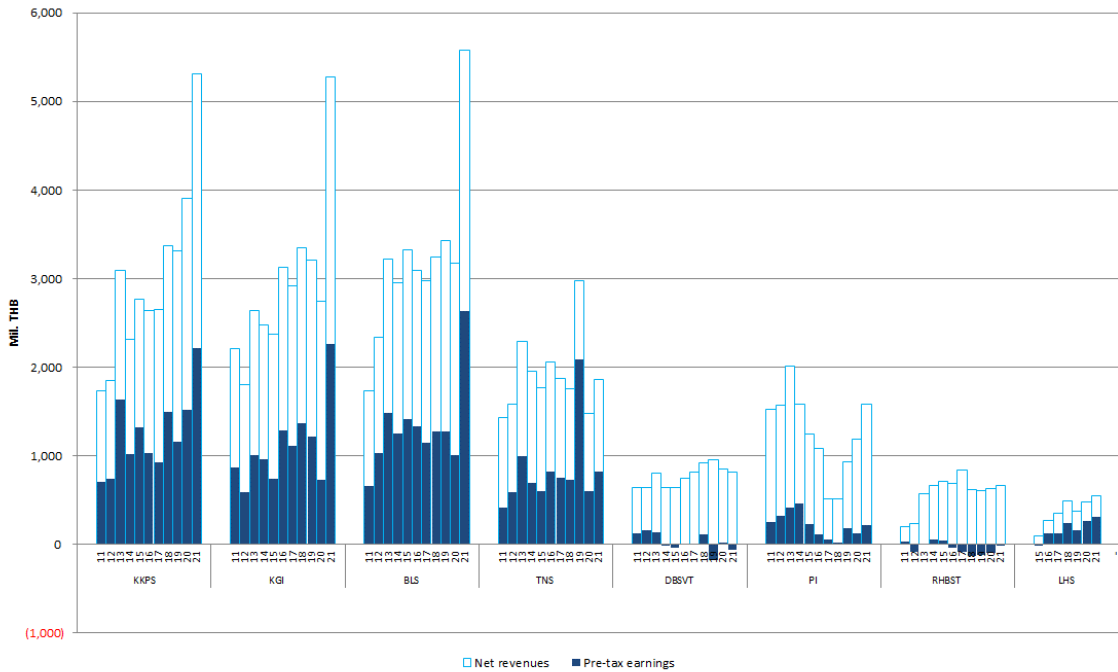
In 2022, CGS changed its name to “Pi Securities PLC”.

CGH Group Structure as of September 2022



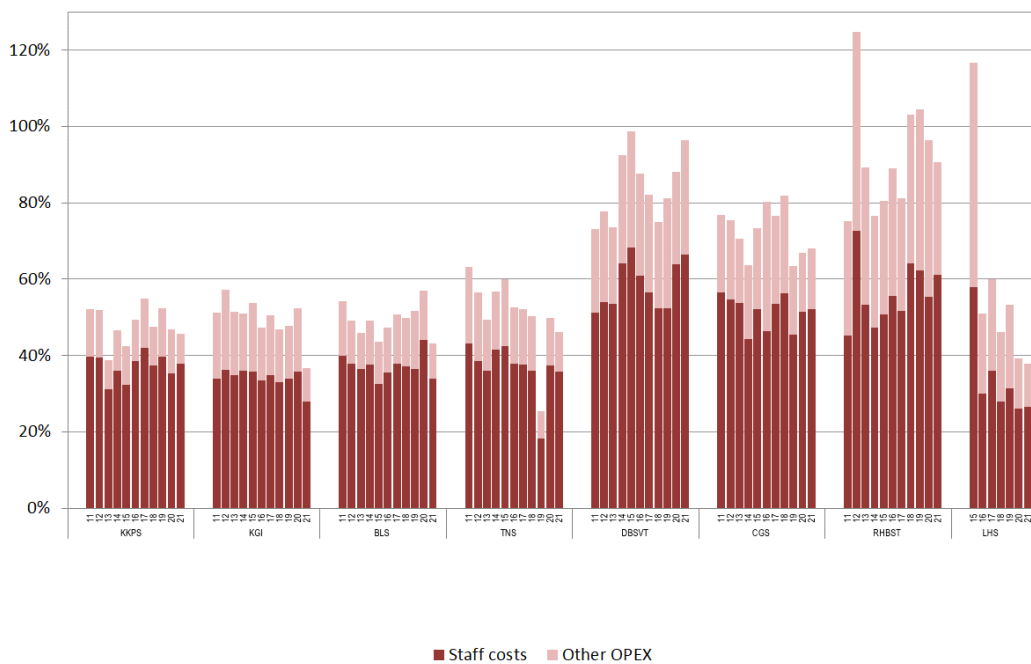
KEY OPERATING PERFORMANCE

Chart 1: Net Revenues and Pre-tax Earnings of Selected Brokers in 2011-2021



Sources: Financial statements of each company

Chart 2: Staff Cost and Other Operating Expenses of Selected Brokers in 2011-2021 (% of Net Revenues)



Sources: Financial statements of each company

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS
Unit: Mil. THB

	Jan-Jun 2022	----- Year Ended 31 December -----			
		2021	2020	2019	2018
Total assets	4,938	4,764	5,831	4,540	5,084
Net Investment in securities	1,616	1,556	2,548	1,921	2,469
Total securities business receivables and accrued interest receivables	2,407	2,175	2,461	2,266	1,702
Allowance for doubtful accounts	384	409	409	369	360
Total debts	847	947	1,220	863	211
Shareholders' equity	2,123	2,075	1,926	1,946	2,869
Net securities business income	564	1,276	941	758	419
Total income	734	1,657	1,293	958	535
Operating expenses	529	1,075	795	591	426
Interest expenses	28	78	106	26	15
Net income	50	155	116	138	17

Unit: %

	Jan-Jun 2022	-----Year Ended 31 December -----			
		2021	2020	2019	2018
Profitability					
Brokerage fees/total revenues	83.2	78.4	75.9	57.8	57.5
Fees and services income/total revenues	9.2	9.5	8.0	14.8	16.1
Gain (loss) from trading/total revenues	(1.5)	1.9	0.2	14.0	5.3
Operating expenses/net revenues	75.0	68.1	67.0	63.5	81.9
Pre-tax margin	9.2	13.6	10.3	19.2	3.1
Return on average assets	2.1 *	2.9	2.2	2.9	0.4
Earning before taxes/risk-weighted assets	1.4 *	2.3	1.3	1.9	0.2
Asset Quality					
Classified receivables/gross securities business receivables	17.2	19.8	17.5	17.1	22.8
Allowance for doubtful accounts/gross securities business receivables	16.0	18.8	16.6	16.3	21.1
Credit costs (reversal)	(2.2) *	0.4	2.2	0.5	(0.7)
Capitalization					
Leverage ratio	41.1	40.4	31.1	39.8	56.6
Risk-adjusted capital	21.8	22.0	17.8	20.5	28.7
Funding and Liquidity					
Gross stable funding ratio	106.8	111.7	77.7	98.6	148.3
Liquidity coverage metric	0.9	1.0	0.7	0.7	6.3

** Annualized*
RELATED CRITERIA

- Group Rating Methodology, 7 September 2022

Pi Securities PLC (Pi)

Company Rating:	BBB-
Rating Outlook:	Stable

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