

PI SECURITIES PLC

No. 184/2024
15 October 2024

FINANCIAL INSTITUTIONS

Company Rating: BB+
Outlook: Stable

Last Review Date: 17/10/23

Company Rating History:

Date	Rating	Outlook/Alert
17/10/23	BBB-	Negative
22/10/18	BBB-	Stable

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RATIONALE

TRIS Rating downgrades the company rating on Pi Securities PLC (Pi) to “BB+” from “BBB-” and revises the outlook to “stable” from “negative”. This follows the rating and outlook revision on its parent company, Country Group Holdings PLC (CGH).

As a core subsidiary of CGH, the rating and outlook on Pi are equivalent to the company rating and outlook on CGH (rated “BB+/Stable”) according to TRIS Rating’s “Group Rating Methodology”.

KEY RATING CONSIDERATIONS

A core subsidiary of CGH

We assess Pi as a core subsidiary of CGH and the group’s key operating entity. CGH owns 90.9% of Pi’s shares, down from 99.3% following the completion of strategic fundraising from the Koo family via China Trust Real Estate Co., Ltd. in January 2024.

In the first half of 2024 (1H24), Pi contributed 65.4% of CGH’s revenue, compared with 93.3% in 2023. CGH sets and regularly monitors Pi’s business and risk management policies through its board representatives, while also overseeing the group’s funding and investment strategy.

We believe Pi will continue to be a core subsidiary of CGH in the foreseeable future. The ongoing expansion of Pi’s core operations, along with new initiatives—the “Pi Financial” application and “Pi Wealth”—should help the company maintain earnings and reinforce its importance within the group.

Constant financial support

The company’s status as a core group entity is also enhanced by the ongoing financial support it receives from CGH. CGH has provided funding for the company totaling THB395 million as of June 2024. The company also has credit facilities from various financial institutions to support its operations. At the end of June 2024, the company had available credit facilities of about THB1 billion.

Satisfactory retail market shares

Pi has maintained its revenue market share in the securities brokerage business and has gained a leading position in the derivatives brokerage sector since 2019.

The company’s securities brokerage revenue market share remained steady at 2.6% in 2023, similar to 2022. However, it increased to 3.1% in 1H24, primarily due to a stronger retail market share which accounts for approximately 95% of Pi’s total turnover. This improvement comes despite a sharp decline in the market volume of retail brokerage. Given the significant decrease in overall market turnover in 2023 and 1H24 particularly in the retail segment, Pi’s brokerage revenue declined by 14% year-on-year (y-o-y) in 2023 and 19% y-o-y in 1H24.

In the derivatives brokerage segment, Pi’s revenue market share in 1H24 was 17.8%, down slightly from 18.0% in 2023 and the peak of 18.4% in 1H23, primarily due to a decrease in the volume of derivative contracts.

In the first quarter of 2024, Pi launched the “Pi Financial” application, an all-in-one investment platform that encompasses multiple asset classes and markets, including traditional financial instruments and other financial assets.

Additionally, Pi has established a wealth management business, which currently manages assets under management (AUM) of USD588 million and is supported by 50 experienced relationship managers (RMs).

These strategic initiatives are anticipated to progressively improve Pi's financial results, supporting its long-term goal of becoming a premier regional wealth and investment platform. However, the substantial upfront investments required for these initiatives including staff costs have significantly impacted earnings in recent years. We expect earnings to gradually improve in the coming year, as revenue growth begins to offset these costs.

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 the outlook of the rating on CGH and our expectation that Pi will maintain its status as a 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 Country Group Securities PLC (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" 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.

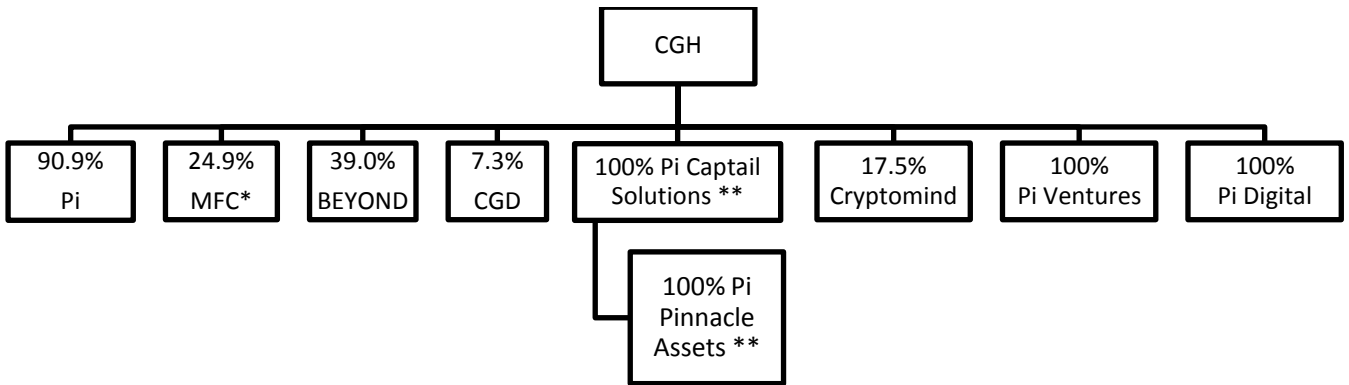
In 2014, CGH was established as a holding company, making a tender offer for all shares of CGS effective on 8 January 2014.

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".

In January 2024, Pi successfully completed a strategic fundraising round, securing THB 349 million from the Koo Family Group. The Koo family is a Taiwan-based entity that operates a pan-Asian conglomerate with diverse interests in banking, insurance, real estate, hospitality, sports, and equity investments across Taiwan, the USA, Japan, China, and Southeast Asia. Their flagship company is CTBC Financial Holdings.

CGH Group Structure as of June 2024



Note: * CGH sold all of its shares in MFC to OPUS Chartered Issuances S.A. (OPUS) in September 2024.

** CGH stopped operations of Pi Capital Solutions and Pi Pinnacle Assets in 1H24.

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Total assets	5,343	5,166	4,810	4,764	5,831
Net Investment in securities	1,614	1,426	1,537	1,556	2,548
Total securities business receivables and accrued interest receivables	2,228	1,960	1,884	2,175	2,461
Allowance for doubtful accounts	377	374	384	409	409
Total debts	1,038	1,195	992	947	1,220
Shareholders' equity	2,174	2,300	2,119	2,075	1,926
Net securities business income	481	1,020	1,111	1,276	941
Total income	658	1,388	1,462	1,657	1,293
Operating expenses	645	1,231	1,072	1,075	795
Interest expenses	42	83	65	78	106
Net income	(124)	(173)	45	155	116

Unit: %

	Jan-Jun 2024	-----Year Ended 31 December -----			
		2023	2022	2021	2020
Profitability					
Brokerage fees/total revenues	66.5	72.8	79.1	78.4	75.9
Fees and services income/total revenues	7.9	6.9	8.4	9.5	8.0
Gain (loss) from trading/total revenues	5.6	3.9	1.8	1.9	0.2
Operating expenses/net revenues	104.7	94.3	76.7	68.1	67.0
Pre-tax margin	(24.4)	(15.1)	4.7	13.6	10.3
Return on average assets	(4.7) *	(3.5)	0.9	2.9	2.2
Earning before taxes/risk-weighted assets	(3.6) *	(2.4)	0.8	2.3	1.3
Asset Quality					
Classified receivables/gross securities business receivables	17.9	20.2	21.6	19.8	17.5
Allowance for doubtful accounts/gross securities business receivables	16.9	19.1	20.4	18.8	16.6
Credit costs (reversal)	0.2 *	0.5	(0.4)	0.4	2.2
Capitalization					
Leverage ratio	40.7	44.5	43.2	40.4	31.1
Risk-adjusted capital	25.5	28.7	25.5	22.0	17.8
Funding and Liquidity					
Gross stable funding ratio	91.1	106.1	105.9	111.7	77.7
Liquidity coverage metric	0.8	0.9	1.0	1.0	0.7

* Annualized

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022

Pi Securities PLC (Pi)

Company Rating:	BB+
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

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