

Srisawad Corporation Plc (SAWAD TB) - BUY, Price Bt64.25, TP Bt84 | Results Comment

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Profits were in line

- SAWAD reported in-line normalized profits of Bt1.1bn, up 13% y-y but down 6% q-q. Profits were in line as lower net interest income was offset by higher non-interest income and lower provisions. 1H21 profits made up 46% of our full-year forecast, we maintain our projection and a BUY rating.
- Loans grew 3% q-q. The 15% contraction was due to de-consolidation of Fast Money by end of 4Q20.
- NIM softened due to lower yield but higher cost of fund.
- Offsetting by higher non-interest income and lower opex, pre-provisioning profits grew 3% y-y but were flat q-q.
- Non-interest income grew 47% y-y and 22% q-q in light of higher bancassurance fees and fees collected from Fast Money, JV with the Government Savings bank.
- SAWAD reversed excess provisions due to loan contraction at BFIT, leading to a stronger net profits growth of 13%.
- NPL rose slightly from 4% of total loans in 1Q21 to 4.1%. Loan loss coverage ratio was 69% as of 2Q21.

Income Statement (consolidated)						Income Statement 6M as					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21	(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Interest income	2,062	1,958	2,061	1,901	1,624	Interest & dividend income	(15)	(21)	43	8,263	8,629
Interest expense	223	228	225	219	209	Interest expense	(4)	(6)	52	831	825
Net interest income	1,839	1,730	1,836	1,682	1,415	Net interest income	(16)	(23)	42	7,433	7,805
Non-interest income	563	733	831	682	830	Non-interest income	22	47	56	2,701	3,383
Total income	2,403	2,464	2,665	2,364	2,246	Total income	(5)	(7)	45	10,134	11,188
Operating expense	988	962	841	916	793	Operating expense	(13)	(20)	48	3,580	3,580
Pre-provisioning profit	1,414	1,502	1,824	1,447	1,453	Pre-provisioning profit	0	3	44	6,554	7,608
Provision for bad&doubtful debt	74	(97)	150	(174)	(48)	Provision for bad&doubtful debt	neg	neg	(85)	261	454
Profit before tax	1,340	1,599	1,674	1,622	1,501	Profit before tax	(7)	12	50	6,293	7,154
Tax	269	316	337	378	315	Tax	(17)	17	55	1,259	1,431
Profit after tax	1,071	1,283	1,336	1,243	1,186	Profit after tax	(5)	11	48	5,035	5,723
Equity income	-	-	-	-	4	Equity income			2	225	347
Minority interests	(88)	(79)	(47)	(61)	(84)	Minority interests			50	(290)	(300)
Extra items	-	-	-	179	-	Extra items			100	178	-
Net profit	982	1,204	1,289	1,361	1,106	Net profit	(19)	13	48	5,147	5,770
Normalized profit	982	1,204	1,289	1,182	1,106	Normalized profit	(6)	13	46	4,969	5,770
PPP/share (Bt)	1.0	1.1	1.3	1.1	1.1	PPP/share (Bt)	0	3	43	4.9	5.7
EPS (Bt)	0.7	0.9	0.9	1.0	0.8	EPS (Bt)	(19)	13	46	3.9	4.4
Norm EPS (Bt)	0.7	0.9	0.9	0.9	0.8	Norm EPS (Bt)	(6)	13	44	3.7	4.4
BV/share (Bt)	15.7	15.2	16.1	17.2	16.3	BV/share (Bt)	(5)	4	16	18.0	19.9

Balance Sheet (consolidated)						Financial Ratios (%)					
Yr-end Dec (Bt m)	2Q20	3Q20	4Q20	1Q21	2Q21		2Q20	3Q20	4Q20	1Q21	2Q21
Cash and cash equivalent	5,025	2,256	1,838	3,351	1,867	Gross loan growth (YTD)	1.8	3.3	3.1	(17.5)	(15.4)
Other current assets	1,705	3,726	5,194	11,245	8,854	Gross loan growth (q-q)	(1.8)	1.5	(0.2)	(17.5)	2.6
Total current assets	6,731	5,981	7,032	14,596	10,721	Borrowing growth (YTD)	4.4	8.8	6.6	(3.6)	(10.5)
Gross loans and accrued interest	38,611	39,388	39,656	32,245	32,873	Borrowing growth (q-q)	(0.3)	4.2	(2.1)	(3.6)	(7.2)
Provisions	1,518	1,319	1,312	1,100	1,055	Non-interest income (y-y)	(6.1)	16.1	(0.1)	(2.5)	47.4
Net loans	37,093	38,069	38,344	31,145	31,818	Non-interest income (q-q)	(19.5)	30.2	13.3	(17.9)	21.8
Fixed assets	1,467	1,344	1,306	1,344	1,397	Cost-to-income	41.1	39.1	31.6	38.8	35.3
Other assets	5,623	5,439	5,325	6,576	6,783	Net interest margin	14.8	13.6	14.3	12.7	10.8
Total assets	50,913	50,833	52,007	53,661	50,719	Credit cost	0.67	(0.87)	1.34	(1.89)	(0.51)
Short term borrowing	920	50	200	200	56	ROE	19.5	22.8	24.0	20.7	19.2
Current portion of LT loans	4,951	5,174	5,059	4,209	6,830	ROA	7.9	9.5	10.0	8.9	8.5
Other current liabilities	8,737	7,401	7,400	6,238	5,229	Loan-to-borrowing	237.1	218.5	221.1	173.8	183.5
Total current liabilities	14,607	12,626	12,659	10,646	12,116	Loan-to-total equity	204.7	215.0	202.1	155.9	168.2
Borrowings	1,989	3,197	2,931	2,891	2,337	NPLs (Bt m)	1,627	1,764	1,480	1,465	1,532
Other liabilities	11,060	12,391	12,348	14,252	11,720	NPL increase	(453.7)	137.3	(284.2)	(14.9)	66.7
Minority interest	1,731	1,810	1,985	2,258	2,107	NPL ratio	3.7	3.9	3.3	4.0	4.1
Shareholders' equity	21,526	20,810	22,085	23,614	22,439	Loan-loss-coverage ratio	93.3	74.8	88.7	75.1	68.9
Total Liabilities & Equity	50,913	50,833	52,007	53,661	50,719						

Sources: Company data, Thanachart estimates

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