

**BUY** (Unchanged)

Change in Numbers

**TP: Bt 24.00** (Unchanged)**Upside : 27.7%****15 SEPTEMBER 2021**

# Bangkok Com. Asset Pcl (BAM TB)

## Firming recovery

**BAM has achieved its collection target despite lockdowns and LED and public auction closures in red-zone provinces. Given the lifting of lockdowns early this month, we raise our earnings and expect a strong earnings recovery of 32% p.a. over 2021-23F. At the low end of its valuation band, BAM looks attractive to us. BUY with a TP of Bt24.**

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### Better-than-expected collections...

Despite the weakening economy amid red-zone lockdowns, BAM achieved its cash-collection target of Bt7.2bn in 1H21. The beat came from the NPA side while NPL collections fell 8% short of target. We believe the successful NPA collections have been driven largely by BAM's aggressive pricing strategy. Average selling prices have come down to 87% of the appraisal value vs. 91% in 1Q21. This is net-net positive as improved collection is boosting cash flow and leading to greater de-leveraging. In fact, BAM's net margin was better than 1Q21's level of 11%.

... we only assume 85% of 2H21F target

Despite stricter lockdown measures from July to August, BAM's collection pace has been on track to achieve its 3Q21 target of Bt4.24bn. Collection of NPAs is still doing better than NPLs. With the lifting of the lockdowns early this month and reopening of the Legal Execution Department (LED) and public auctions nationwide, BAM should be able to speed up the settlement of leftover cases at the LED. BAM's target is to achieve cash collections of Bt17.5bn in 2021, implying a 43% jump h-h in 2H21. We share the view of improving momentum but prefer to stay conservative and assume only 85% of the target is achieved in 2H21F. Even so, we still have to raise our earnings estimates by 16% in 2021F and 11% in 2022F. Our earnings cut in 2023F is due to our expectation of lower NPL purchases by BAM as banks are choosing to restructure NPLs in-house and a higher tax rate.

### Moving to asset-light strategy

BAM's NPL purchases were very small at less than Bt1bn in 1H21 vs. its target of Bt9bn this year. The slowdown was due to unattractive pricing while banks have chosen to undergo restructuring and opted to resolve NPLs in-house. Due to its large backlog and dominant position, BAM does not intend to aggressively increase bidding prices though it expects to invest much more in 2H21. We believe BAM's priority is more to shorten the asset turnaround cycle to improve return. The company is in the process of setting up a JV with commercial banks where BAM would earn management fees and share the JV's profits.

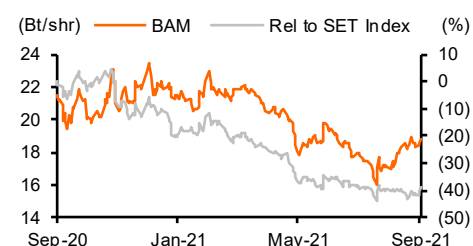
### Reaffirm BUY call

With the absence of a big-ticket windfall of Bt450m, we estimate 3Q21F profit of Bt552m, declining 30% q-q but growing 85% y-y. Earnings should accelerate in 4Q21F from the country reopening and decent collection backlog. Trading at the low end of its valuation band while experiencing a firming up of its earnings recovery, shares of BAM look very attractive to us. With 28% potential upside to our DDM-based 12-month TP (2022F base year) of Bt24 and with a 3% yield, we reaffirm our BUY rating.

### COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	7,395	7,836	8,417	9,380
Net profit	1,841	2,397	2,867	4,200
Consensus NP	—	2,316	3,094	3,676
Diff frm cons (%)	—	3.5	(7.4)	14.2
Norm profit	1,841	2,397	2,867	4,200
Prev. Norm profit	—	2,069	2,581	4,636
Chg frm prev (%)	—	15.8	11.1	(9.4)
Norm EPS (Bt)	0.6	0.7	0.9	1.3
Norm EPS grw (%)	(84.4)	30.2	19.6	46.5
Norm PE (x)	33.0	25.4	21.2	14.5
P/BV (x)	1.5	1.4	1.4	1.3
Div yield (%)	2.7	2.6	2.8	4.1
ROE (%)	4.4	5.7	6.6	9.4
ROA (%)	1.5	1.8	2.1	2.9

### PRICE PERFORMANCE

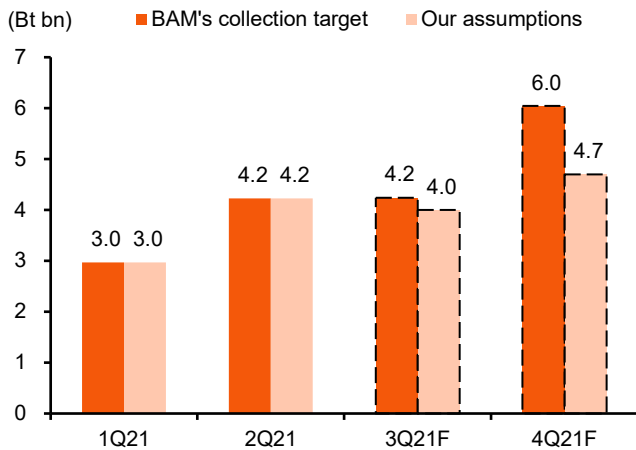


### COMPANY INFORMATION

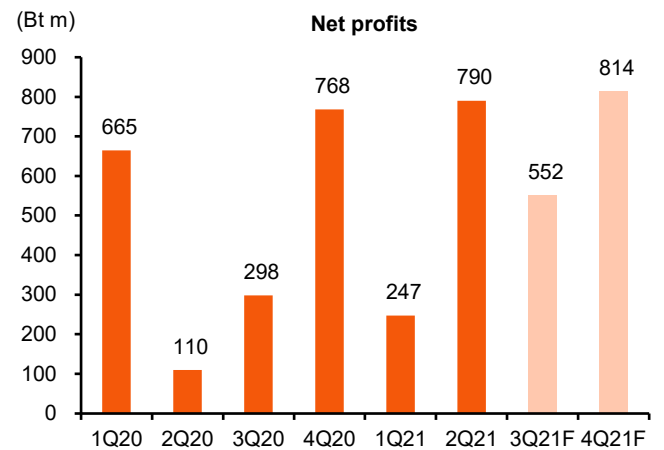
Price: as of 15-Sep-21 (Bt)	18.80
Market Cap (US\$ m)	1,848
Listed Shares (m shares)	3,232.0
Free Float (%)	54.2
Avg. Daily Turnover (US\$ m)	9.72
12M Price H/L (Bt)	23.50/16.00
Sector	Finance
Major Shareholder	FIDF 45.79%

Sources: Bloomberg, Company data, Thanachart estimates



**Ex 1: BAM's Cash Collection Target Vs. Our Assumptions**

Sources: Company data; Thanachart estimates

**Ex 2: Clear Earnings Recovery**

Sources: Company data; Thanachart estimates

**Ex 3: Earnings Revisions**

	2019A	2020A	2021F	2022F	2023F
<b>Net profits (Bt bn)</b>					
- New	10.68	1.84	2.40	2.87	4.20
- Old			2.07	2.58	4.64
- Change (%)			15.85	11.08	(9.42)
<b>Cash collections (Bt bn)</b>					
- New	19.73	13.13	15.84	17.98	20.49
- Old			13.28	15.48	19.66
- Change (%)			19.34	16.10	4.25
<b>NPL purchases (Bt bn)</b>					
- New	12.81	10.60	4.00	6.00	7.00
- Old			7.00	7.21	7.43
- Change (%)			(42.86)	(16.78)	(5.74)
<b>Operating expenses (Bt m)</b>					
- New	3.76	2.66	2.57	2.64	2.66
- Old			2.89	2.99	3.05
- Change (%)			(11.01)	(11.69)	(12.84)
<b>DPS (Bt/share)</b>					
- New	1.05	0.51	0.50	0.53	0.78
- Old			0.38	0.48	0.86
- Change (%)			29.37	11.08	(9.42)

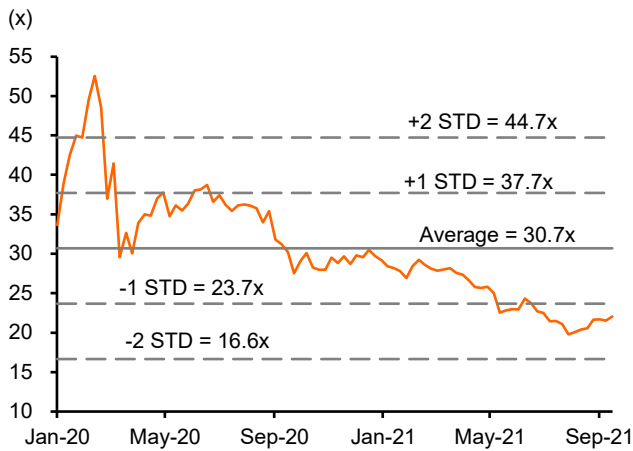
Sources: Company data, Thanachart estimates

**Ex 4: 12-month DDM-based TP Calculation Using A Base Year Of 2022F**

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	Terminal Value
Dividend of common shares	1,720	2,520	2,873	3,850	4,502	5,315	6,310	7,543	9,012	12,186	12,186
Dividend of preferred shares	—	—	—	—	—	—	—	—	—	—	—
Dividend payment	1,720	2,520	2,873	3,850	4,502	5,315	6,310	7,543	9,012	12,186	146,231
Risk-free rate (%)	2.5										
Market risk premium (%)	8.0										
Beta	1.0										
WACC (%)	10.5										
Cost of equity	10.5										
Terminal growth (%)	2.0										
Equity value	77,097										
No. of shares (m)	3,232										
<b>Equity value / share (Bt)</b>	<b>24.00</b>										

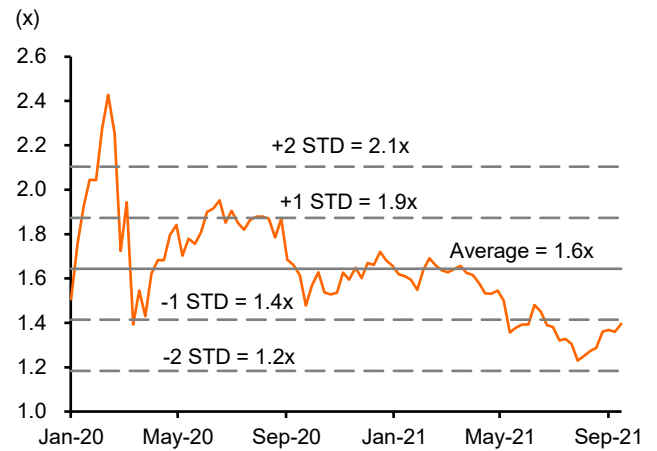
Sources: Company data, Thanachart estimates

**Ex 5: PE STD**



Sources: Bloomberg, Thanachart estimates

**Ex 6: P/BV STD**



Sources: Bloomberg, Thanachart estimates

## Valuation Comparison

## Ex 7: Valuation Comparison With Global Peers

Name	BBG Code	Country	EPS growth		— PE —		— P/BV —		— ROE —		— Div. Yield —	
			21F (%)	22F (%)	21F (x)	22F (x)	21F (x)	22F (x)	21F (%)	22F (%)	21F (%)	22F (%)
China Cinda Asset Management	1359 HK	China	6.3	9.4	4.2	3.9	0.3	0.3	7.9	7.8	7.4	8.1
Cohen & Steers Inc.	CNS US	US	128.1	12.3	23.3	20.8	na	na	87.2	76.8	2.7	3.4
Legg Mason Inc.	LM US	US	12.4	13.7	na	na	na	na	7.5	7.8	na	na
Federated Hermes Inc.	FHI US	US	(13.1)	11.7	11.1	9.9	2.6	2.6	23.6	24.1	3.5	3.6
Artisan Partners Asset MA -A	APAM US	US	50.4	8.1	9.9	9.2	na	na	na	na	9.4	10.0
Affiliated Managers Group	AMG US	US	295.4	15.5	9.2	8.0	2.5	2.4	22.6	23.4	0.0	0.2
Waddell & Reed Financial -A	WDR US	US	79.6	5.7	na	na	na	na	na	na	na	na
Eaton Vance Corp	EV US	US	180.4	16.8	na	na	na	na	41.8	53.1	na	na
Azimut Holding SPA	AZM IM	Italy	(2.1)	(8.2)	8.9	9.7	3.2	2.7	37.3	28.7	4.5	4.7
Fiera Capital Corp	FSZ CN	Canada	na	5.3	7.6	7.2	2.6	2.5	40.8	na	8.0	8.1
Bangkok Commercial Asset Mgt.	BAM TB *	Thailand	30.2	19.6	25.4	21.2	1.4	1.4	5.7	6.6	2.6	2.8
Chayo Group	CHAYO TB	Thailand	30.8	33.3	49.6	37.2	5.0	4.0	13.7	12.8	0.5	0.7
JMT Network Services	JMT TB	Thailand	12.4	27.8	37.5	29.4	6.6	5.0	16.8	19.3	1.3	1.6
<b>Average</b>			<b>67.6</b>	<b>13.1</b>	<b>18.7</b>	<b>15.6</b>	<b>3.0</b>	<b>2.6</b>	<b>27.7</b>	<b>26.1</b>	<b>4.0</b>	<b>4.3</b>

Source: Bloomberg

Note: \* Thanachart estimates , using Thanachart normalized EPS

Based on 15 Sep 2021 closing prices

## COMPANY DESCRIPTION

Founded in 1998 under the Ministry of Finance's Financial Institutions Development Fund (FIDF) plan, BAM's mandate was to acquire and manage distressed assets from Bangkok Bank of Commerce (BBC). The company was later given approval by the Bank of Thailand (BoT) to operate under the Financial Institutions Asset Management Corporation decree in 2001 to manage distressed assets of other financial institutions. BAM is Thailand's largest asset management company (AMC) with total assets under management of Bt107bn as of 2020.

Source: Thanachart

## COMPANY RATING



### Rating Scale

<b>Excellent</b>	<b>5</b>
<b>Good</b>	<b>4</b>
<b>Fair</b>	<b>3</b>
<b>Weak</b>	<b>2</b>
<b>Very Weak</b>	<b>1</b>
<b>None</b>	<b>0</b>

Source: Thanachart; \* CG Rating

## THANACHART'S SWOT ANALYSIS

### S — Strength

- Over 20 years of experience in the business.
- Scale advantage.
- Pricing power.

### O — Opportunity

- Asset acquisitions.

### W — Weakness

- In a capital-intensive business with lengthy payback periods.
- Lumpy earnings book as most income is from gains from asset sales.

### T — Threat

- Lower asset sales as banks are doing management in-house.
- Changes in accounting treatment.

## CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
<b>Target price (Bt)</b>	21.17	24.00	13%
<b>Net profit 21F (Bt m)</b>	2,316	2,397	3%
<b>Net profit 22F (Bt m)</b>	3,094	2,867	-7%
<b>Consensus REC</b>	<b>BUY: 10</b>	<b>HOLD: 1</b>	<b>SELL: 2</b>

## HOW ARE WE DIFFERENT FROM THE STREET?

- We share the Bloomberg consensus view on BAM experiencing an earnings recovery.
- However, our DDM-based TP is higher, which we attribute to us being more positive on BAM's asset turnaround time, leading to higher collection and profits over the medium to longer term.

Sources: Bloomberg consensus, Thanachart estimates

## RISKS TO OUR INVESTMENT CASE

- If BAM were to dispose of lower amounts of NPLs and NPAs than we currently assume, this would represent significant downside risk to our earnings and TP.
- Higher-than-expected operating costs are a secondary downside risk, in our view.

Source: Thanachart

## INCOME STATEMENT

	FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
<i>Improving collections</i>	Interest Income	9,140	9,946	9,304	9,632	10,097
	Interest Expenses	2,132	2,391	2,557	2,636	2,571
	<b>Net Interest Income</b>	<b>7,007</b>	<b>7,555</b>	<b>6,747</b>	<b>6,996</b>	<b>7,526</b>
	% of total income	69.4%	75.2%	64.9%	63.2%	62.5%
	Gain on sale of properties for sale	2,907	2,015	2,904	3,125	3,373
	Gain on installment sales	94	404	667	846	1,040
	Gain on investments	4	0	0	0	0
	Others	92	79	87	95	101
	<b>Non-interest Income</b>	<b>3,096</b>	<b>2,498</b>	<b>3,657</b>	<b>4,066</b>	<b>4,514</b>
	% of total income	30.6%	24.8%	35.1%	36.8%	37.5%
	<b>Total Income</b>	<b>10,104</b>	<b>10,053</b>	<b>10,404</b>	<b>11,061</b>	<b>12,040</b>
	Operating Expenses	3,757	2,658	2,569	2,644	2,660
	<b>Pre-provisioning Profit</b>	<b>6,347</b>	<b>7,395</b>	<b>7,836</b>	<b>8,417</b>	<b>9,380</b>
	Provisions	135	5,199	4,840	4,834	4,130
	<b>Pre-tax Profit</b>	<b>6,212</b>	<b>2,196</b>	<b>2,996</b>	<b>3,583</b>	<b>5,250</b>
	Income Tax	(4,467)	355	599	717	1,050
	After Tax Profit	10,679	1,841	2,397	2,867	4,200
	Equity Income	0	0	0	0	0
	Minority Interest	0	0	0	0	0
	Extraordinary Items	0	0	0	0	0
	<b>NET PROFIT</b>	<b>10,679</b>	<b>1,841</b>	<b>2,397</b>	<b>2,867</b>	<b>4,200</b>
	<b>Normalized Profit</b>	<b>10,679</b>	<b>1,841</b>	<b>2,397</b>	<b>2,867</b>	<b>4,200</b>
	EPS (Bt)	3.7	0.6	0.7	0.9	1.3
	Normalized EPS (Bt)	3.7	0.6	0.7	0.9	1.3

## BALANCE SHEET

	FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
	<b>ASSETS:</b>					
	<b>Liquid Items</b>	<b>1,454</b>	<b>8,164</b>	<b>1,474</b>	<b>1,528</b>	<b>1,583</b>
<i>Lower loan purchase</i>	Cash and ST investments	1,454	8,164	1,474	1,528	1,583
	Securities under resale agreement	649	728	2,544	3,421	4,265
	Net loan purchased	77,375	77,726	76,508	77,340	78,615
	<b>Properties for sales-net</b>	<b>23,899</b>	<b>28,078</b>	<b>36,533</b>	<b>38,790</b>	<b>42,611</b>
	property for sales - gross	32,236	36,282	39,727	43,027	46,249
	(less) allowance for impairment	8,337	8,204	3,193	4,237	3,637
	Fixed assets - net	1,243	1,174	1,107	1,055	1,018
	Other assets	15,299	16,199	17,223	18,248	19,276
	<b>Total assets</b>	<b>119,919</b>	<b>132,070</b>	<b>135,390</b>	<b>140,382</b>	<b>147,369</b>
	<b>LIABILITIES:</b>					
	<b>Liquid Items</b>	<b>1,557</b>	<b>1,505</b>	<b>1,540</b>	<b>1,575</b>	<b>1,610</b>
	Accrued interest payable	504	518	533	548	563
	Provisions	1,052	987	1,007	1,027	1,047
	Current portion of lease liabilities	0	0	0	0	0
	Debt issued and borrowings	75,688	87,435	85,424	89,722	94,234
	Other liabilities	1,479	1,333	5,866	5,378	6,139
	<b>Total liabilities</b>	<b>78,724</b>	<b>90,273</b>	<b>92,772</b>	<b>96,587</b>	<b>101,865</b>
	Minority interest	0	0	0	0	0
	<b>Shareholders' equity</b>	<b>41,196</b>	<b>41,797</b>	<b>42,618</b>	<b>43,794</b>	<b>45,504</b>
	Preferred capital	0	0	0	0	0
	Paid-in capital	15,075	16,160	16,160	16,160	16,160
	Share premium	3,399	6,044	6,044	6,044	6,044
	Surplus/ Others	(65)	240	270	300	330
	Retained earnings	22,786	19,352	20,143	21,290	22,970
	<b>Liabilities &amp; Equity</b>	<b>119,919</b>	<b>132,070</b>	<b>135,390</b>	<b>140,382</b>	<b>147,369</b>

Sources: Company data, Thanachart estimates

## VALUATION

*Trading at the low end of its valuation band*

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	5.1	33.0	25.4	21.2	14.5
Normalized PE - at target price (x)	6.6	42.1	32.4	27.1	18.5
PE (x)	5.1	33.0	25.4	21.2	14.5
PE - at target price (x)	6.6	42.1	32.4	27.1	18.5
P/PPP (x)	8.7	8.2	7.8	7.2	6.5
P/PPP - at target price (x)	11.0	10.5	9.9	9.2	8.3
P/BV (x)	1.5	1.5	1.4	1.4	1.3
P/BV - at target price (x)	1.9	1.9	1.8	1.8	1.7
Dividend yield (%)	5.6	2.7	2.6	2.8	4.1
Market cap / net assets (x)	0.8	0.8	0.7	0.7	0.7
Market cap / appraisal value (x)	0.2	0.2	0.2	0.2	0.2
<b>(Bt)</b>					
Normalized EPS	3.7	0.6	0.7	0.9	1.3
EPS	3.7	0.6	0.7	0.9	1.3
DPS	1.1	0.5	0.5	0.5	0.8
PPP/Share	2.2	2.3	2.4	2.6	2.9
BV/Share	12.7	12.9	13.2	13.6	14.1

## FINANCIAL RATIOS

*Rising dividends*

FY ending Dec	2019A	2020A	2021F	2022F	2023F
<b>Growth Rate (%)</b>					
Net interest income (NII)	51.4	7.8	(10.7)	3.7	7.6
Non-interest income (Non-II)	(7.2)	(19.3)	46.4	11.2	11.0
Operating expenses	28.0	(29.2)	(3.4)	2.9	0.6
Pre-provisioning profit (PPP)	19.6	(64.7)	36.4	19.6	46.5
Net profit	105.9	(82.8)	30.2	19.6	46.5
Normalized profit growth	105.9	(82.8)	30.2	19.6	46.5
EPS	105.0	(84.4)	30.2	19.6	46.5
Normalized EPS	105.0	(84.4)	30.2	19.6	46.5
Dividend payout ratio	31.8	52.1	67.0	60.0	60.0
NPL portfolio	2.3	8.8	(2.5)	0.3	1.1
NPA portfolio	20.8	12.6	9.5	8.3	7.5
Debt and borrowings	453.5	431.3	8,742.1	8,536.6	8,963.4
Total assets	11.4	10.1	2.5	3.7	5.0
Total equity	(1.6)	1.5	2.0	2.8	3.9
<b>Operating Ratios (%)</b>					
Interest yield on NPL	10.3	33.4	34.0	34.5	35.0
Interest yield on installment sales rec.	7.2	4.9	4.5	4.5	4.5
Interest yield on investment in securities	2.6	0.0	0.0	0.0	0.0
Avg cost of fund	6.3	2.7	2.7	2.7	2.7
NII / operating income	226.3	302.5	184.5	172.1	166.7
Non-II / operating income	30.6	24.8	35.1	36.8	37.5
Normalized net margin	87.3	14.8	18.5	20.9	28.7
Cost-to-income	37.2	26.4	24.7	23.9	22.1
Pretax Profits/ total assets	5.5	1.7	2.2	2.6	3.6
Pretax Profits / total equity	15.0	5.3	7.1	8.3	11.8
Avg assets/avg equity (leverage)	2.7	3.0	3.2	3.2	3.2
ROA	9.4	1.5	1.8	2.1	2.9
ROE	25.7	4.4	5.7	6.6	9.4

Sources: Company data, Thanachart estimates

**FINANCIAL RATIOS**

	<b>FY ending Dec</b>	<b>2019A</b>	<b>2020A</b>	<b>2021F</b>	<b>2022F</b>	<b>2023F</b>
	<b>Liquidity and Quality Ratio (%)</b>					
<i>Healthy balance sheet</i>	Receivables to borrowing ratio	126.2	109.4	106.9	105.1	101.5
	Debt to equity ratio (x)	1.8	2.1	2.0	2.0	2.1
	Allow ance for doubtful A/C to rec.	7.5	14.6	13.7	13.1	12.6
	Cash collection from NPL management business to NPLs	18.2	10.8	11.4	13.9	16.8
	Cash collection from NPA management business to NPAs	23.1	16.4	24.9	25.2	25.7
	Interest yield on gross NPL	1.8	6.5	7.4	8.3	9.1
	Gain on loan purchase/loan purchase	8.9	4.2	3.6	3.6	3.6
	Return on NPL management business	10.7	10.7	11.0	11.9	12.7
	Interest yield on installment receivables	7.2	4.9	4.5	4.5	4.5
	Gain on installment sales/installment sales	6.3	20.9	25.0	25.0	25.0
	Gain on sales of foreclosed properties properties foreclosed	13.1	7.8	10.0	10.0	10.0
	Return on NPA management business	9.7	6.1	7.6	7.8	8.0

Sources: Company data, Thanachart estimates

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