Srisawad Corporation Pcl (SAWAD TB) - BUY, Price Bt63, TP Bt84

Results Comment

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Profits slightly missed our projection

- SAWAD reported net profits of Bt1.1bn, down 8% y-y but up 1% q-q. 9M21 profits were 70% of our full-year forecast so we have to re-visit our numbers.
- Weak profits despite with a write-back of provisions of Bt101m were due to weak loans growth, falling yield and loss from impairment of properties foreclosed.
- Loans grew 3% q-q while a 13% contraction YTD was due to a divestment of motorcycle-title loans to form a JV with the Government Savings Bank (GSB).
- SAWAD expects loans momentum to recover greater in 4Q21 so we expect improving profits momentum in the next quarter.
- Loan yield was down to 19.4% from 20% in 2Q21. We believe this was due to lower contribution of high-yield loans under BFIT license Boosted by insurance brokerage fees, non-NII grew 15% y-y and 1% q-q.
- Opex was down 10% on synergistic cost savings with the JV but was up 9% q-q on impairment loss of properties foreclosed.
- NPLs fell 3% q-q to 3.8% on successful resolution. This along with slower loans growth, SAWAD released provisions of Bt101m in the quarter.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Interest income	1,958	2,061	1,901	1,624	1,625
Interest expense	228	225	219	209	189
Net interest income	**1,730**	**1,836**	**1,682**	**1,415**	**1,436**
Non-interest income	733	831	682	830	841
Total income	2,464	2,665	2,364	2,246	2,277
Operating expense	962	841	916	793	863
Pre-provisioning profit	**1,502**	**1,824**	**1,447**	**1,453**	**1,414**
Provision for bad&doubtful debt	(97)	150	(174)	(48)	(101)
Profit before tax	1,599	1,674	1,622	1,501	1,515
Tax	316	337	378	315	307
Profit after tax	1,283	1,336	1,243	1,186	1,208
Equity income	-	-	-	4	(10)
Minority interests	(79)	(47)	(61)	(84)	(86)
Extra items	-	-	179	-	-
Net profit	**1,204**	**1,289**	**1,361**	**1,106**	**1,112**
Normalized profit	**1,204**	**1,289**	**1,182**	**1,106**	**1,112**
PPP/share (Bt)	1.1	1.3	1.1	1.1	1.0
EPS (Bt)	0.9	0.9	1.0	0.8	0.8
Norm EPS (Bt)	0.9	0.9	0.9	0.8	0.8
BV/share (Bt)	15.2	16.1	17.2	16.3	17.2

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Interest & dividend income	0	(17)	62	8,263	8,629
Interest expense	(10)	(17)	74	831	825
Net interest income	**2**	**(17)**	**61**	**7,433**	**7,805**
Non-interest income	1	15	87	2,701	3,383
Total income	1	(8)	68	10,134	11,188
Operating expense	9	(10)	72	3,580	3,580
Pre-provisioning profit	**(3)**	**(6)**	**66**	**6,554**	**7,608**
Provision for bad&doubtful debt	neg	neg	na	261	454
Profit before tax	1	(5)	74	6,293	7,154
Tax	(3)	(3)	79	1,259	1,431
Profit after tax	2	(6)	72	5,035	5,723
Equity income			(3)	225	347
Minority interests			na	(290)	(300)
Extra items			100	178	-
Net profit	**1**	**(8)**	**70**	**5,147**	**5,770**
Normalized profit	**1**	**(8)**	**68**	**4,969**	**5,770**
PPP/share (Bt)	(3)	(6)	64	4.9	5.7
EPS (Bt)	1	(8)	67	3.9	4.4
Norm EPS (Bt)	1	(8)	66	3.7	4.4
BV/share (Bt)	5	13	17	18.0	19.9

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash and cash equivalent	2,256	1,838	3,351	1,867	2,150
Other current assets	3,726	5,194	11,245	8,854	5,623
Total current assets	5,981	7,032	14,596	10,721	7,773
Gross loans and accrued interest	39,388	39,656	32,245	32,873	33,979
Provisions	1,319	1,312	1,100	1,055	947
Net loans	38,069	38,344	31,145	31,818	33,032
Fixed assets	1,344	1,306	1,344	1,397	1,436
Other assets	5,439	5,325	6,576	6,783	6,958
Total assets	**50,833**	**52,007**	**53,661**	**50,719**	**49,200**
Short term borrowing	50	200	200	56	500
Current portion of LT loans	5,174	5,059	4,209	6,830	8,760
Other current liabilities	7,401	7,400	6,238	5,229	4,076
Total current liabilities	12,626	12,659	10,646	12,116	13,336
Borrowings	3,197	2,931	2,891	2,337	645
Other liabilities	12,391	12,348	14,252	11,720	9,473
Minority interest	1,810	1,985	2,258	2,107	2,193
Shareholders' equity	**20,810**	**22,085**	**23,614**	**22,439**	**23,553**
Total Liabilities & Equity	**50,833**	**52,007**	**53,661**	**50,719**	**49,200**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Gross loan growth (YTD)	3.3	3.1	(17.5)	(15.4)	(12.7)
Gross loan growth (q-q)	1.5	(0.2)	(17.5)	2.6	3.2
Borrowing growth (YTD)	8.8	6.6	(3.6)	(10.5)	(23.8)
Borrowing growth (q-q)	4.2	(2.1)	(3.6)	(7.2)	(14.8)
Non-interest income (y-y)	16.1	(0.1)	(2.5)	47.4	14.7
Non-interest income (q-q)	30.2	13.3	(17.9)	21.8	1.3
Cost-to-income	39.1	31.6	38.8	35.3	37.9
Net interest margin	13.6	14.3	12.7	10.8	11.5
Credit cost	(0.87)	1.34	(1.89)	(0.51)	(1.03)
ROE	22.8	24.0	20.7	19.2	19.3
ROA	9.5	10.0	8.9	8.5	8.9
Loan-to-borrowing	218.5	221.1	173.8	183.5	205.0
Loan-to- total equity	215.0	202.1	155.9	168.2	165.4
NPLs (Bt m)	1,764	1,480	1,465	1,532	1,480
NPL increase	137.3	(284.2)	(14.9)	66.7	(52.0)
NPL ratio	3.9	3.3	4.0	4.1	3.8
Loan-loss-coverage ratio	74.8	88.7	75.1	68.9	64.0

Sources: Company data, Thanachart estimates

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