Small Cap Research

BUY

Initiation

TP: Bt 55.00

Upside : 29.4%

7 JANUARY 2022

Asia Sermkij Leasing Pcl (ASK TB)

Pedal to the metal

We initiate coverage on ASK with a BUY as we see a major shift in its growth profile after its business and management restructuring. The company's regulatory risk also looks lower than other microfinance plays. We value ASK at Bt55 on 2022F DDM-based methodology.

SARACHADA SORNSONG
662 – 779 9106
sarachada.sor@thanachartsec.co.th

Thanachart Securities

Initiating with a BUY

We initiate coverage on ASK, a leading commercial truck hire-purchase (HP) company, with a BUY call and a DDM-based 12-month TP of Bt55. ***First***, we like ASK's aggressive growth strategy after the change in mindset of its major shareholder and completion of its internal business restructuring in 2020. ***Second***, due to truck-HP market share gains and accelerating contributions of its SME lending and insurance brokerage business, we estimate a strong three-year EPS CAGR of 26% over 2022-24F. ***Third***, focusing on the commercial-truck segment, ASK is subject to lower regulatory risk than other microfinance plays. ***Lastly***, ASK on our estimates is the cheapest finance stock we cover at 14x PE vs. 20% 2022F EPS growth.

Major shift in growth strategy

Founded in 1984 by Bangkok Bank (BBL TB, HOLD, Bt124.50) and majority owned by Chailease Holding since 1997, ASK is a well-established hire-purchase company. Chailease introduced its 10-year mission in 2016 targeting 20-30% p.a. portfolio growth. ASK appointed a new CEO in 2018 and completed its business restructuring in 2020. ASK now has a new growth mindset and is more aggressive in lending, including accepting longer loan durations and a three-month principal grace period, while expanding its business in new areas, including SME lending, truck-title loans and insurance brokerage. From 7% p.a. in 2015-20, loan growth stood at 21% y-y in 9M21.

Strong growth profile

Factoring in dilution from its rights offering in May 2021, we project a three-year EPS CAGR of 26% over 2022-24F. Key drivers are growing demand for trucks, premium cars, SME lending and truck-title loans. We estimate loan growth of 22/21/19% in 2022-24F. Truck-HP competition is intensifying but we expect it to be offset by rising contributions from other higher-yield loan segments. We also forecast 19% p.a. non-interest income growth from growing insurance sales. ASK plans to have a higher provisioning cushion and we estimate credit costs of 1.6%/1.5%/1.4% over 2022-24F before falling to 1.3% in 2025F.

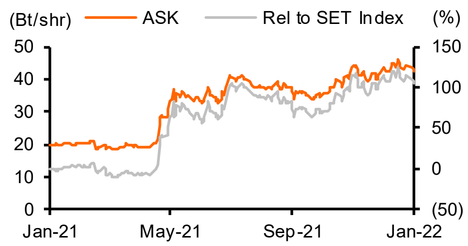
Solid balance sheet

Hit by COVID-led lockdowns, ASK's NPLs in absolute terms rose by 28% from 3Q20 to 2.6% in 3Q21. The company has built up management overlay provisions to Bt216m and plans to set aside more in 2Q22F. We expect ASK to be able to contain its NPL ratio at below 3% and estimate its loan-loss-coverage ratio at 86% in 2021F and 89% in 2022F, rising from 81% in 2020. Its net D/E ratio fell to 4.8x in 3Q21 after the rights issue from 6.7x in 2020. ASK believes its capital base is sufficient for its new growth profile at least over the next three to four years.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	1,678	2,307	3,004	3,746
Net profit	883	1,221	1,621	2,105
Consensus NP	—	1,221	1,556	1,745
Diff frm cons (%)	—	*0.0*	*4.1*	*20.6*
Norm profit	883	1,221	1,621	2,105
Prev. Norm profit	—	1,221	1,621	2,105
Chg frm prev (%)	—	*0.0*	*0.0*	*0.0*
Norm EPS (Bt)	2.2	2.6	3.1	4.0
Norm EPS grw (%)	1.6	16.1	20.0	29.9
Norm PE (x)	19.3	16.6	13.8	10.7
P/BV (x)	2.6	2.4	2.2	2.0
Div yield (%)	4.0	2.7	3.6	4.7
ROE (%)	15.9	16.4	16.8	19.9
ROA (%)	2.0	2.4	2.6	2.8

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 7-Jan-22 (Bt)	42.50
Market Cap (US$ m)	666.6
Listed Shares (m shares)	527.8
Free Float (%)	41.4
Avg Daily Turnover (US$ m)	1.8
12M Price H/L (Bt)	46.00/18.52
Sector	Finance
Major Shareholder	Chailease group 50.41%

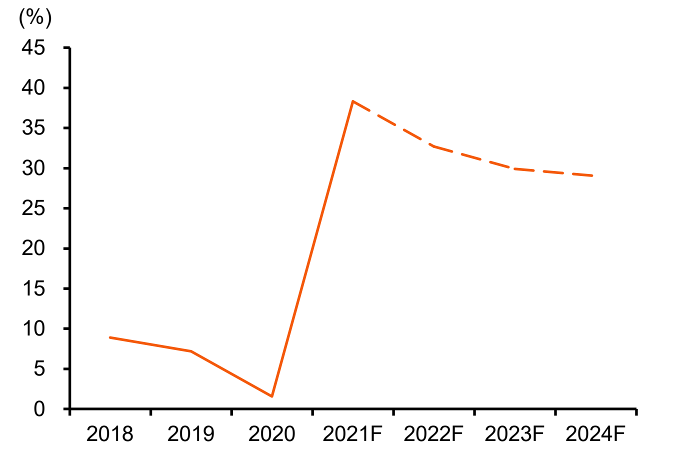
Sources: Bloomberg, Company data, Thanachart estimates

Initiating with a BUY

We rate ASK as a BUY with a Bt55 TP

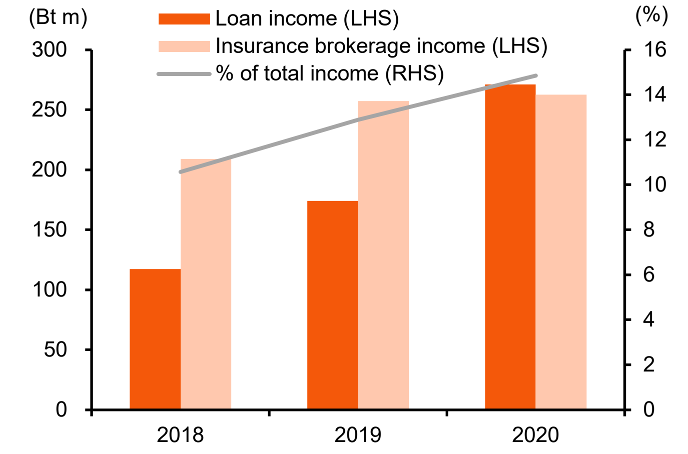
We initiate coverage on Asia Sermkij Leasing (ASK TB), a leading commercial truck hire-purchase (HP) company, with a BUY rating and a DDM-based 12-month TP (2022F base year) of Bt55, using a cost of equity of 9.7%. We are interested in ASK's stronger growth profile, its successful execution of new businesses, solid balance sheet and what we regard as an attractive valuation.

Ex 1: ASK Offers An Impressive Growth Story In Our View



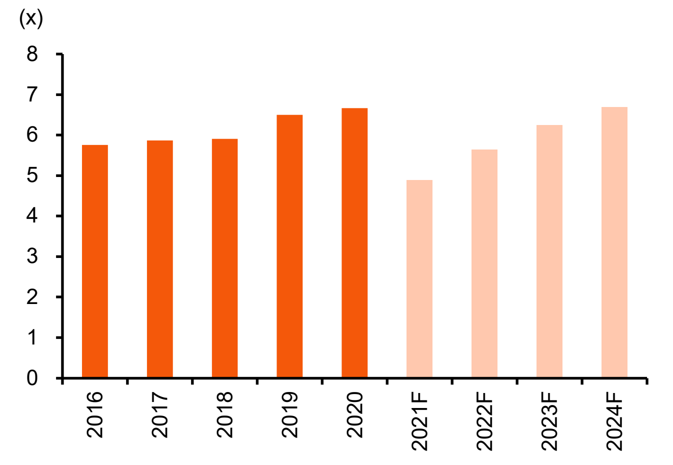
Sources: Company data, Thanachart estimates

Ex 2: Growing New Businesses



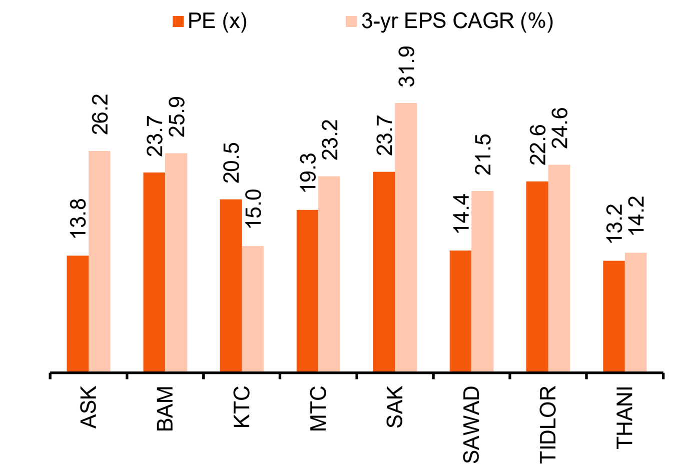
Source: Company data

Ex 3: Larger Room For Re-leveraging



Sources: Company data, Thanachart estimates

Ex 4: Attractive Valuation In Our Opinion



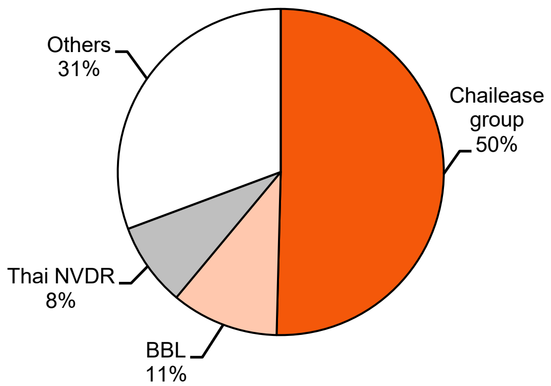
Source: Thanachart estimates

Truck HP is its core product

Founded in 1984 by Bangkok Bank Pcl (BBL TB, HOLD, Bt124.50) and majority owned by Chailease Holding from 1997, ASK is a well-established HP company. The company started off with new-car HP in the Bangkok metropolitan area, before expanding into used-car HP, personal loans, SME lending, title loans and also offering related lending services including an insurance brokerage business. ASK currently has 17 branches in 17 provinces. The network now covers all five regions, though the Bangkok metropolitan area remain ASK's stronghold, contributing 34% of total HP loans.

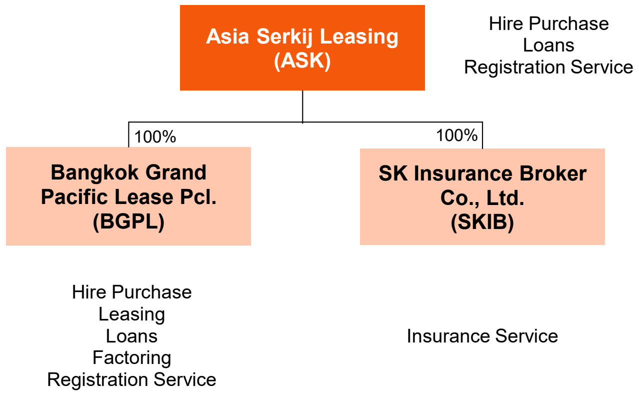
ASK has two subsidiaries, i.e., Bangkok Grand Pacific Lease (BGPL) Pcl and SK Insurance Broker (SKIB). BGPL offers leasing and HP as well as factoring. The difference between BGPL and ASK's HP and leasing is that BGPL focuses on the corporate segment and machinery is its key lending product. Established in April 2017, SKIB began offering non-life insurance brokerage services from September.

Ex 5: Major Shareholder



Source: Company data
Note: Data as of Jun.25, 2021

Ex 6: Company Structure

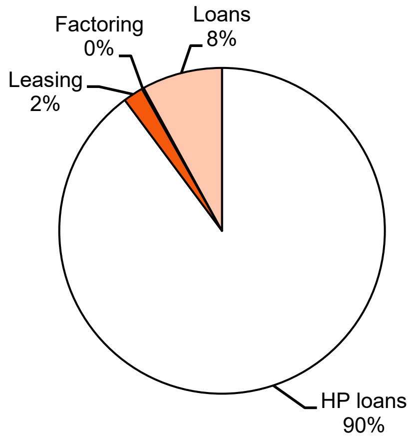


Source: Company data

Growing contribution of direct loans

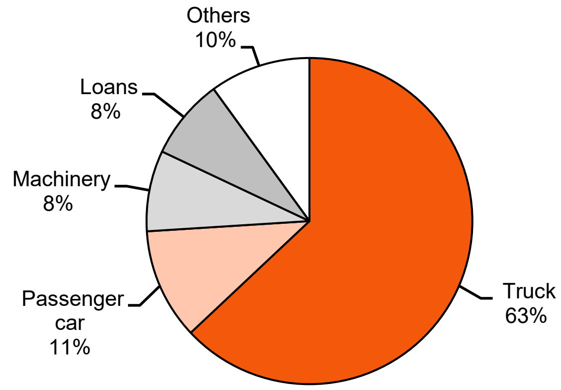
HP is ASK's main lending business, contributing over 90% of its total loan portfolio. Leasing and factoring combined make up just 2.2%. This is while the contribution of direct loans that include SME loans, personal loans and title loans has increased from 1% in 2015 and 3% in 2018 to 6% in 2020 and 8% in 3Q21. Breaking the loans down by product, 63% are for trucks, 11% for premium cars, 8% machinery, 8% direct loans and the rest for others. Of total HP loans, 70% are new and 30% used. Some 61% of ASK's customers are individuals and 39% corporates. ASK is also a member of the National Credit Bureau (NCB).

Ex 7: Loan Breakdown By Business (3Q21)



Source: Company data

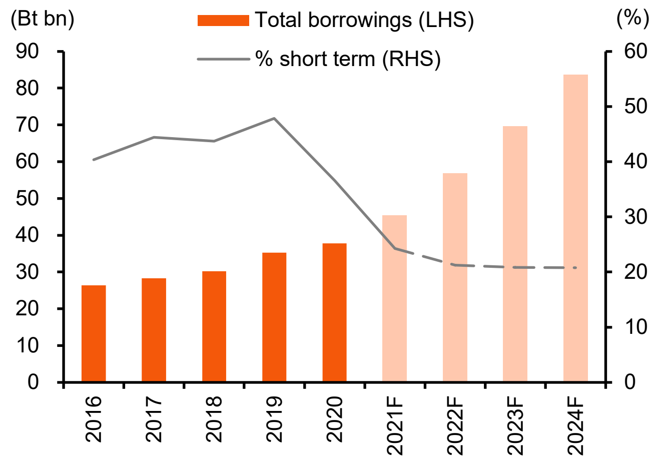
Ex 8: Loan Breakdown By Product (3Q21)



Source: Company data

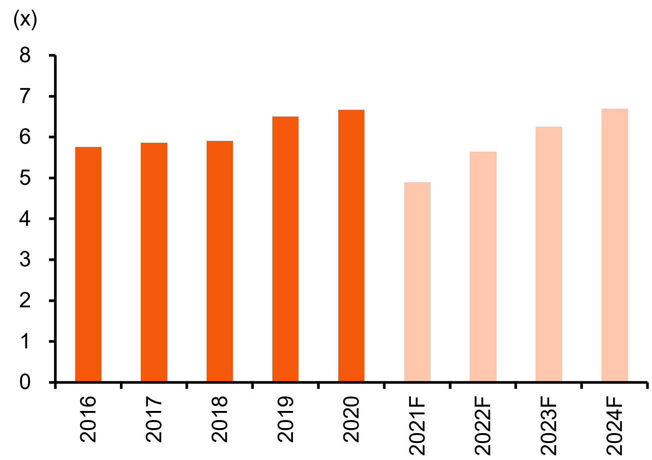
The group funds its asset growth via internal cash flow and borrowings. Of total borrowings, 60% comprises bank loans and 40% debentures. The ratio of short- to long-term borrowing is 25% to 75% and the company intends to lower the short-term portion to 20% in 2022. Its debt-to-equity (D/E) covenant is 10x but ASK is comfortable containing it at below 7x. Ending 2020 with a D/E ratio of 6.7x, ASK carried out a rights offering (RO) of around 176m shares in May 2021. With RO proceeds of around Bt3bn, ASK's D/E ratio fell to 4.8x in 3Q21.

Ex 9: Short-Term Vs. Long-Term Borrowings



Sources: Company data, Thanachart estimates

Ex 10: Net D/E Ratio



Sources: Company data, Thanachart estimates

We like ASK and initiate coverage on the stock with a BUY call and a DDM-based 12-month TP, using a 2022F base year, of Bt55 for four reasons:

First, we like ASK's aggressive growth strategy after the change in the growth mindset of its major shareholder and the completion of its internal business restructuring in 2020.

Second, due to market share gains in the truck-HP business and the accelerating contribution from the SME lending and insurance brokerage business, we estimate a strong three-year EPS CAGR of 26% over 2022-24F.

Third, focusing on the commercial truck segment, ASK is subject to lower regulatory risk than other microfinancing plays. The hearings for the new HP law focused on non-commercial cars and motorcycles. ASK has exposure to the premium-car segment, i.e., luxury vans like the Alphard, Vellfire as well as luxury car marques like Porsche. The yield of this segment is below the potential cap of 15% so we foresee no harm being done from the new HP regulation to ASK's business. On the contrary, ASK expects to see more prudent lending conditions in the non-premium car HP segment. As the new law will lead to better settlement conditions in favor of borrowers, this should prompt lenders to ask for higher down payments. Expecting a more acceptable risk-reward profile, ASK is looking to explore opportunities to increase its penetration of the non-premium car HP segment.

Lastly, ASK on our estimates is the cheapest finance stock under our coverage trading at 14x PE vs. 20% fully diluted EPS growth in 2022F.

Major shift in growth strategy

With its 37 years of experience, ASK is a fully equipped HP company. We see it as a well-run firm with a decent earnings growth story. We did not cover ASK previously but have been monitoring the company for quite some time. In our view, ASK is the closest peer comparison to Ratchthani Leasing Pcl (THANI TB, BUY, Bt4.46), with a similar focus on truck- and premium-car HP loans. Having said that, we note that ASK has posted stellar earnings since 2020, while many other players, including THANI, have been hit badly by the COVID-19 pandemic.

Appointed new CEO in 2018 and completed its business restructuring in 2020

Our recent conversion with management has led us to realize that ASK is turning more aggressive with its asset and business growth. This comes after a change in the growth mindset of its major shareholder and the completion of its internal business restructuring in 2020. The shift took off in 2016 when Chailease introduced its 10-year mission targeting 20-30% p.a. portfolio growth. ASK appointed a new CEO, Mr. Yang Tse Ting, in 2018. Mr. Yang hails from Chailese Holding in Taiwan. He has worked with ASK since 2006 and moved to oversee Chailese's operations in Vietnam and Malaysia. He moved back to ASK and helped with the business restructuring from late 2018. The major change is to separate the credit underwriting unit from the marketing department so that the group can achieve its growth target with an acceptable risk profile. The restructuring was completed in 2020 with ASK realizing that it had been too conservative with its conditions compared with the industry norm.

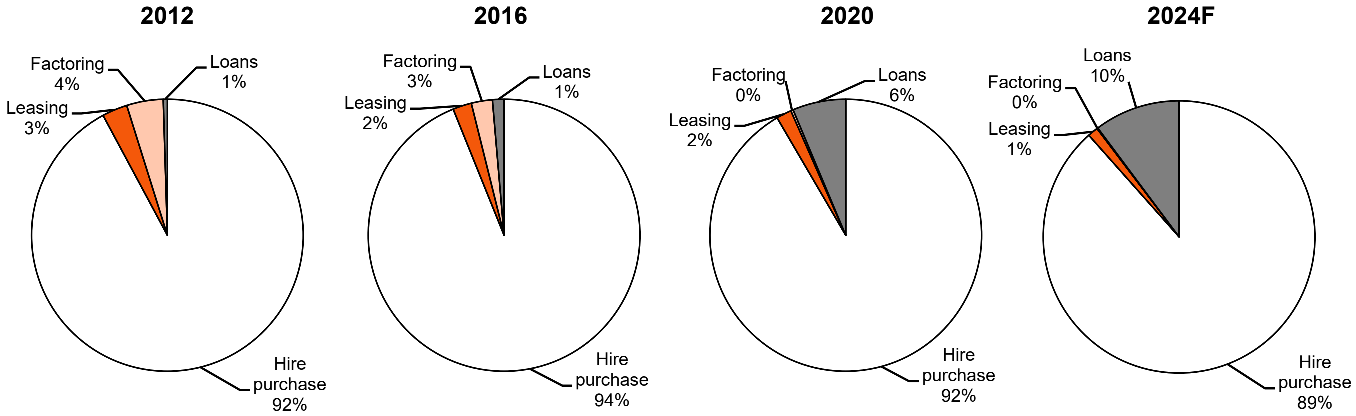
ASK has a new growth mindset…

…and is being more aggressive with lending

ASK therefore now has a new growth mindset and has turned more aggressive on lending. The company has relaxed its lending criteria. This includes the acceptance of a longer loan duration from 48-60 months to 72 months and above. ASK also allows a three-month principal grace period so that it can earn more interest at the end of contracts. This happened in late 2020 when other players turned more cautious as they were afraid of deteriorating asset quality led by the COVID-19-induced economic recession. While truck sales plunged by 22% y-y in 2020, ASK's new loan disbursements dropped only 10% vs. a 25% slump for THANI. While THANI's loans contracted 8% y-y over the period, ASK managed to grow loans by 5% in 2020.

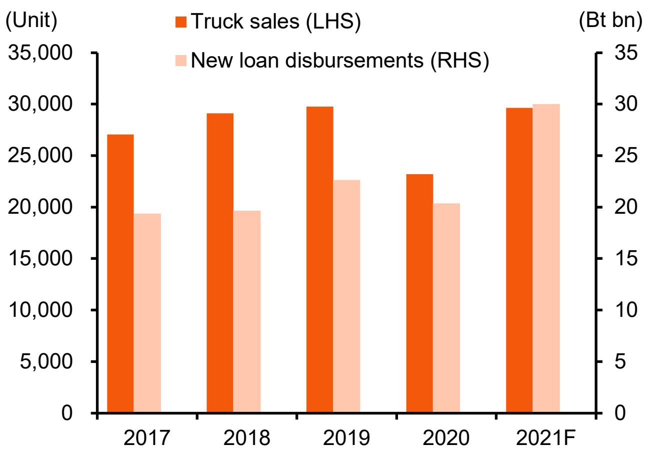
ASK's truck-HP market share gains have materialized in tandem with its efforts to grow new businesses starting to bear fruit. Started up 10 years ago, BGPL's direct loan services have gained very decent momentum. The business offers loans to SMEs, with bank deposits as collateral. In addition to SME lending, it also offers personal loans and truck-title loans. Personal loans are small while it has set an aggressive growth target for truck-title loans, i.e., rising from Bt800m this year to over Bt1bn in 2022. The contribution of direct loans has increased nicely from 1% in 2015 and 3% in 2018 to 6% in 2020 and 8% in 3Q21. From 7% p.a. in 2015-20, the group's total loan growth came to 21% y-y in 9M21.

Ex 11: ASK's Change In Loan Mix



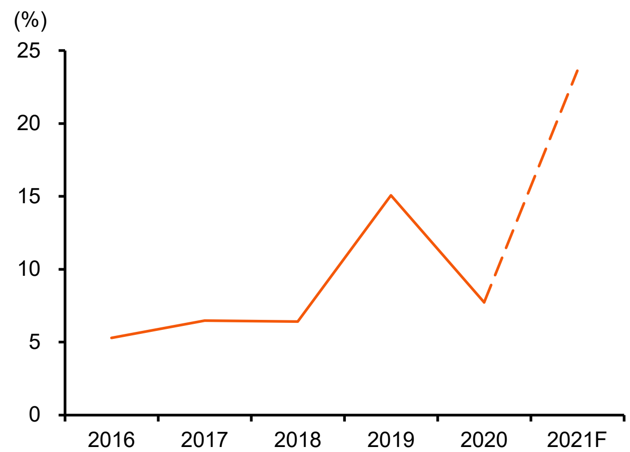
Sources: Company data, Thanachart estimates

Ex 12: ASK's New Disbursements Vs. Truck Sales



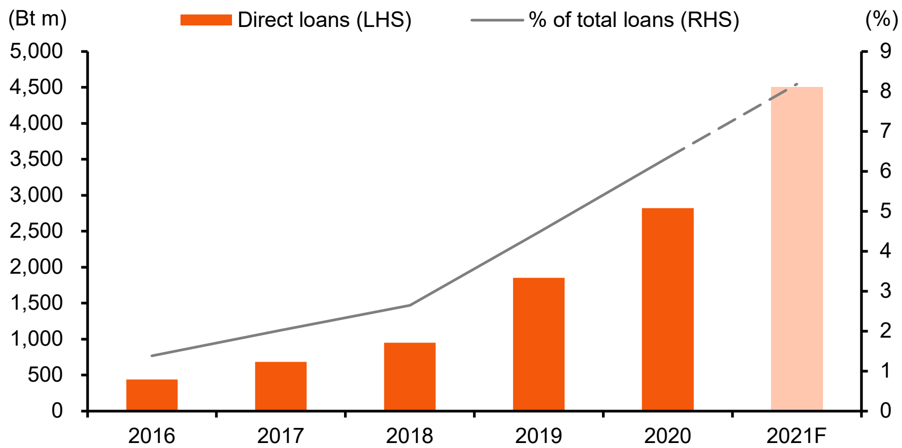
Sources: Company data, Thanachart estimates

Ex 13: ASK's Loan Growth



Sources: Company data, Thanachart estimates

Ex 14: Contribution Of Direct Loans



Sources: Company data, Thanachart estimates

Set up SKIB in 2017 to offer non-life insurance brokerage services

In addition to its more aggressive loan growth strategy, ASK has been focusing on expanding its sources of non-interest income. It set up SKIB to offer a non-life insurance brokerage service in 2017. SKIB offers a wide range of non-life insurance though we believe the main contribution is from vehicle insurance. Insurance brokerage sales grew strongly by 40% y-y in 2019 though slowed to 2% y-y in 2020. The trend has been in line with new loan disbursements and ASK's 55% y-y new loan growth in 9M21 resulted in a 79% increase in insurance brokerage sales for ASK over the same period. With ASK's target of new loan bookings of 20% y-y in 2022, it hopes to grow fee income by 20-25% next year. We believe the insurance business will continue to be a key fee-income growth engine and we estimate insurance brokerage sales growth of 68% in 2021F, 30% in 2022F and 25% in 2023F.

Strong growth profile

Factoring in dilution, we forecast a 3-yr EPS CAGR of 26% over 2022-24F

ASK has bucked the trend, delivering new loan growth of 79% y-y in 9M21. New loan bookings stood at Bt22.5bn in 9M21 and ASK revised up its new loan bookings target for the year to Bt30bn, up 50% y-y from 2020. Despite setting aside management overlay provisions of Bt216m in 3Q21 vs. Bt88m in 2020, earnings hit a new high of Bt314m in 3Q21, growing 36% y-y and 17% q-q. The company targets total loans of Bt66bn, up 20% y-y, based on new loan bookings of Bt36bn in 2022. It also expects stable NIM and fee income growth of 20-25%. As for balance sheet quality, ASK intends to increase its provisioning cushion to Bt400m in 1H22 and contain its NPL ratio at below 3% in 2022.

We see ASK's 2022's targets as being achievable. The company carried out an RO in May last year, increasing the number of shares by 50% to unlock its lending capacity. Factoring in the dilution, we estimate a three-year EPS CAGR of 26% over 2022-24F. Key drivers are growing demand for trucks, premium cars, SME lending and truck-title loans. We estimate loan growth of 22/21/19% in 2022-24F. We project an average 20% growth in truck HP and 30% growth p.a. for direct loans.

Truck-HP competition is intensifying but we believe it should be offset by rising contributions from other higher-yielding loan segments. We expect a flat lending yield of 7.75% in 2022F, falling to 7.7% in 2023-24F. As ASK is looking to lengthen its liability duration, we factor in higher funding costs in 2022F. From 5.49% in 2021, we conservatively project NIM to contract slightly to 5.45% in 2022F and 5.37% in 2023F. We also forecast 19% p.a. non-interest income growth from growing insurance sales. ASK plans to have a higher provisioning cushion and we estimate credit costs of 1.6%/1.5%/1.4% over 2022-24F before falling to 1.3% in 2025F.

Ex 15: Key Assumptions

	2019A	2020A	2021F	2022F	2023F	2024F	2025F	2026F
Net profits (Bt m)	869.53	883.06	1,221.31	1,620.56	2,105.31	2,716.46	3,394.27	4,026.01
Net loan growth (%)	15.08	7.72	23.62	22.42	20.69	18.99	16.32	14.57
Blended yield (%)	7.72	7.60	7.75	7.75	7.69	7.73	7.75	7.77
Average funding costs (%)	2.62	2.54	2.40	2.42	2.42	2.42	2.42	2.42
Change in insurance brokerage sales (%)	39.87	2.27	67.53	30.00	25.00	20.00	18.00	16.00
% of non-interest income to total income	17.47	15.44	17.88	18.58	19.15	19.06	19.01	18.98
Change in operating OPEX (%)	9.97	4.61	7.58	8.48	8.63	8.66	8.16	7.82
Credit costs (%)	1.21	1.30	1.57	1.60	1.50	1.40	1.30	1.30
NPL ratio (%)	3.44	2.87	2.84	2.87	2.86	2.76	2.73	2.67

Sources: Company data, Thanachart estimates

We value ASK at Bt55 using 2022F DDM-based methodology

Using DDM methodology with a cost of equity of 9.7%, we value ASK at Bt55 per share. Our TP implies 18x PE on 2022F earnings. We believe this is justified by ASK's three-year EPS CAGR of 26%, impressive ROE of over 16% and its solid balance sheet. ASK's dividend policy is set at a minimum of 40% but not exceeding 70%. The payout ratio was consistently high at an average of 70% over 2015-19, declining to 68% in 2020. With the company's stronger growth profile, we have a dividend payout assumption of 50%. In spite of the lower payout, ASK's dividend yield still looks healthy to us at 3%.

Ex 16: 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	810	1,053	1,358	1,697	2,013	2,358	2,702	3,064	3,455	4,049	4,049
Dividend of preferred shares	—	—	—	—	—	—	—	—	—	—	—
Dividend payment	810	1,053	1,358	1,697	2,013	2,358	2,702	3,064	3,455	4,049	47,474

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	0.9
WACC (%)	9.7
Cost of equity	9.7
Terminal growth (%)	2.0
Equity value	29,269
No. of shares (m)	528
Equity value / share (Bt)	**55.00**

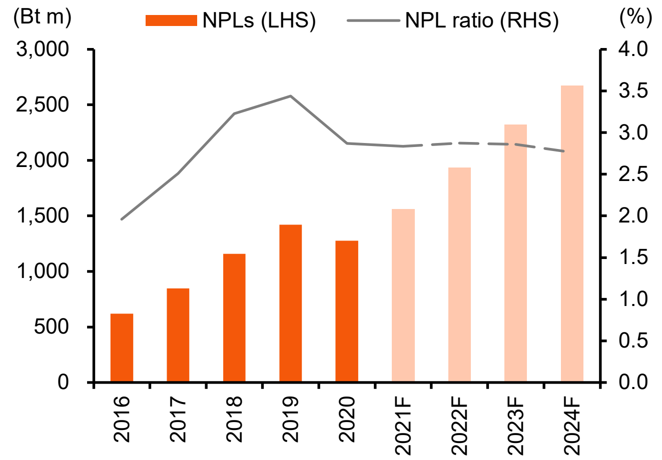
Source: Thanachart estimates

Solid balance sheet

Unlocking lending capacity with a bigger provisioning cushion

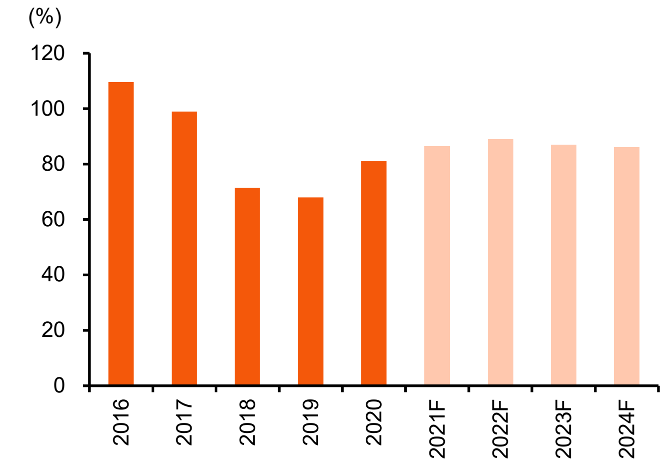
Hit by COVID lockdowns, ASK's NPL in absolute terms rose by 28% from 3Q20 to 2.6% in 3Q21. Exposed to tourist van and bus loans with remaining loans outstanding of around Bt1bn, ASK has been increasing its provisioning cushion since last year. The company has built up management overlay provisions from Bt88m in 2020 to Bt216m in 3Q21 and plans to set aside more in 2Q22. We factor in an increase in provisions of 40% in 2021F, 26% in 2022F and 14% in 2024F. Along with growing loans, we estimate NPLs to rise by 22%/24%/20% over 2021-23F. We expect ASK to be able to contain its NPL ratio at below 3% and project its loan-loss-coverage ratio at 86% in 2021F and 89% in 2022F, rising from 81% in 2020. Its net D/E ratio fell to 4.8x in 3Q21 after the rights issue from 6.7x in 2020. ASK believes its capital base is sufficient for its new growth profile at least over the next three to four years.

Ex 17: NPL Ratio



Sources: Company data, Thanachart estimates

Ex 18: Loan Loss Coverage Ratio



Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 19: Valuation Comparison With Regional Peers

			EPS growth		PE		P/BV		ROE		Div. yield	
Name	BBG code	Country	21F	22F	21F	22F	21F	22F	21F	22F	21F	22F
Afterpay Ltd	APT AU	Australia	na	na	na	na	11.0	15.8	(1.9)	(2.7)	0.0	0.0
Finvolution Group	FINV US	China	522.4	(2.0)	0.6	0.6	0.1	0.1	25.9	21.3	14.0	14.2
Mahindra & Mahindra Fin Secs	MMFS IN	India	4.6	21.7	21.0	17.3	1.2	1.2	5.2	7.5	1.2	1.3
Bajaj Finance Ltd	BAF IN	India	3.1	54.1	101.0	65.5	12.7	10.8	13.1	17.4	0.1	0.2
Manappuram Finance Ltd	MGFL IN	India	0.2	(2.9)	8.1	8.4	1.9	1.6	26.4	21.1	1.7	1.9
GMO Payment Gateway Inc.	3769 JP	Japan	(3.8)	22.9	109.5	89.2	19.6	17.0	24.3	21.5	0.5	0.6
Infomart Corp.	2492 JP	Japan	(32.3)	71.8	288.5	167.9	17.1	15.9	6.6	10.1	0.1	0.3
Ally Financial Inc	ALLY US	US	194.9	(14.5)	5.8	6.8	1.1	1.0	20.1	15.6	1.8	2.1
World Acceptance Corp	WRLD US	US	(16.2)	1.9	18.8	18.5	3.9	3.2	18.7	16.9	na	na
Navient Corp	NAVI US	US	109.1	(30.4)	4.9	7.0	1.3	1.1	27.6	18.5	2.9	2.9
SLM Corp	SLM US	US	56.7	(21.9)	5.7	7.3	3.0	3.0	52.2	37.5	0.9	2.0
Amanah Leasing	AMANAH TB	Thailand	7.1	11.0	16.5	14.9	3.0	2.7	19.0	19.2	2.8	3.2
Asia Sermkij Leasing *	ASK TB	Thailand	16.1	20.0	16.6	13.8	2.4	2.2	16.4	16.8	2.7	3.6
Krungthai Card *	KTC TB	Thailand	25.0	13.7	23.3	20.5	5.7	4.9	26.7	25.7	1.9	2.2
Muangthai Capital *	MTC TB	Thailand	(0.5)	22.1	23.5	19.3	4.8	4.0	22.6	22.6	0.6	0.8
Saksiam Leasing *	SAK TB	Thailand	(17.1)	42.2	33.8	23.7	4.2	3.8	13.0	16.9	1.2	1.7
Srisawad Corporation *	SAWAD TB	Thailand	5.2	17.5	17.0	14.4	3.4	3.1	20.8	22.5	3.1	3.5
Ratchthani Leasing *	THANI TB	Thailand	(17.3)	16.3	15.4	13.2	2.2	2.1	14.7	16.1	3.9	4.5
Ngern Tid Lor *	TIDLOR TB	Thailand	18.1	20.8	27.3	22.6	3.9	3.4	18.1	16.2	0.7	0.9
Average			**50.4**	**14.3**	**41.8**	**29.9**	**5.5**	**5.2**	**19.5**	**18.0**	**2.3**	**2.6**

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

Based on 7 Jan 2022 closing price

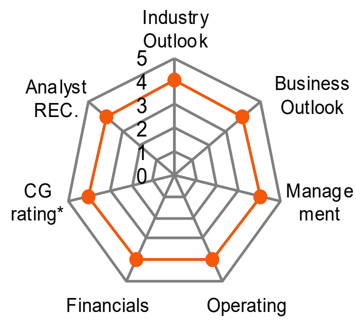
Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

COMPANY DESCRIPTION

Founded in 1984 by Bangkok Bank and majority owned by Chailease Holding from 1997, ASK is a well-established hire-purchase (HP) company. ASK operates all types of automobile HP and personal loan, sale and hire-purchase back service, floor plan financing, auto registration and transfers, tax renewal and insurance facilitation services. Its first subsidiary, Bangkok Grand Pacific Lease (BGPL) Pcl, leases machinery and vehicles and offers HP and domestic and international factoring. Its other subsidiary, SK Insurance Broker (SKIB), offers insurance broker services.

Source: Thanachart

COMPANY RATING



Rating Scale	
Very Strong	5
Strong	4
Good	3
Fair	2
Weak	1
None	0

Source: Thanachart; * CG Awards

THANACHART'S SWOT ANALYSIS

S — Strength

- Well-established HP company with a strong foothold in the commercial truck segment
- Strong support by major shareholder
- Experienced management team

W — Weakness

- Relies on external borrowings
- High focus on commercial truck HP

O — Opportunity

- Expansion into SME lending and truck title loans
- Expansion into non-life insurance
- Increasing penetration of non-premium car HP

T — Threat

- Economic recession
- Changes in rules and regulations
- New accounting standard

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	51.33	55.00	7%
Net profit 21F (Bt m)	1,221	1,221	0%
Net profit 22F (Bt m)	1,556	1,621	4%
Consensus REC	**BUY: 3**	**HOLD: 0**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- We believe we are more positive than the Bloomberg consensus about ASK's earnings outlook over the medium to longer term. As a result, our TP is higher.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- ASK not being able to grow truck loans or keeping asset quality at bay as planned would present the key downside risks to our call.
- Lower contribution of new lending and insurance sales presents a secondary downside risk to our earnings and TP.
- Higher funding costs and opex are also risks to our investment case.

Source: Thanachart

Strong growth of NII and non-NII

Robust loan growth

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest Income	2,911	3,184	3,765	4,622	5,572
Interest Expenses	859	930	998	1,237	1,531
Net Interest Income	**2,053**	**2,254**	**2,767**	**3,385**	**4,042**
% of total income	82.5%	84.6%	82.1%	81.4%	80.9%
Fee income	292	298	500	650	813
% of total income	11.7%	11.2%	14.8%	15.6%	16.3%
Other income	126	91	80	98	118
% of total income	5.1%	3.4%	2.4%	2.4%	2.4%
Non-interest Income	**435**	**412**	**602**	**772**	**957**
% of total income	17.5%	15.4%	17.9%	18.6%	19.1%
Total Income	**2,487**	**2,666**	**3,370**	**4,157**	**4,999**
Operating Expenses	945	988	1,063	1,153	1,253
Pre-provisioning Profit	**1,543**	**1,678**	**2,307**	**3,004**	**3,746**
Bad debt expenses	467	557	780	979	1,114
Pre-tax Profit	**1,076**	**1,121**	**1,527**	**2,026**	**2,632**
Income Tax	206	238	305	405	526
After Tax Profit	870	883	1,221	1,621	2,105
Equity Income	0	0	0	0	0
Minority Interest	0	0	0	0	0
Extraordinary Items	0	0	0	0	0
NET PROFIT	**870**	**883**	**1,221**	**1,621**	**2,105**
Normalized Profit	**870**	**883**	**1,221**	**1,621**	**2,105**
EPS (Bt)	2.2	2.2	2.6	3.1	4.0
Normalized EPS (Bt)	2.2	2.2	2.6	3.1	4.0

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Cash and Interbank	458	395	500	800	800
Other current assets	286	315	470	480	490
Total current assets	**744**	**710**	**970**	**1,280**	**1,290**
Gross loans & accr. interest	46,115	49,777	62,327	75,330	90,291
Provisions	964	1,034	1,346	1,719	2,021
Net loans	**40,336**	**43,456**	**53,654**	**65,611**	**79,241**
Fixed assets	307	266	250	240	230
Right of use - net	0	42	60	78	95
Other assets	428	456	900	1,101	1,329
Total assets	**41,815**	**44,931**	**55,834**	**68,309**	**82,186**
Short term borrowing	16,875	13,832	11,000	12,100	14,520
Due to related parties	1	3	1	1	1
Current LT portion	7,259	6,844	14,583	21,085	26,632
Other current liabilities	919	897	1,000	1,100	1,200
Long term borrowing	11,337	17,687	20,013	23,987	28,753
Total borrowings	**28,213**	**31,519**	**31,013**	**36,087**	**43,273**
Other L-T liabilities	0	0	0	0	0
Minority interest	0	0	0	0	0
Shareholders' equity	5,424	5,668	9,269	10,080	11,132
Total Liab. & Equity	**41,815**	**44,931**	**55,834**	**68,309**	**82,186**

Sources: Company data, Thanachart estimates

Cheapest finance stock under our coverage

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	19.6	19.3	16.6	13.8	10.7
Normalized PE - at target price (x)	25.3	24.9	21.5	17.9	13.8
PE (x)	19.6	19.3	16.6	13.8	10.7
PE - at target price (x)	25.3	24.9	21.5	17.9	13.8
P/PPP (x)	11.0	10.1	8.8	7.5	6.0
P/PPP - at target price (x)	14.3	13.1	11.4	9.7	7.7
P/BV (x)	2.8	2.6	2.4	2.2	2.0
P/BV - at target price (x)	3.6	3.4	3.1	2.9	2.6
Dividend yield (%)	4.0	4.0	2.7	3.6	4.7
Normalized EPS	2.2	2.2	2.6	3.1	4.0
EPS	2.2	2.2	2.6	3.1	4.0
DPS	1.7	1.7	1.2	1.5	2.0
PPP/Share	3.9	4.2	4.8	5.7	7.1
BV/share	15.4	16.1	17.6	19.1	21.1
P/BV to ROE	0.2	0.2	0.1	0.1	0.1

Elevated credit costs factored in

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
Net interest income (NII)	6.9	9.8	22.8	22.3	19.4
Non-interest income (Non-II)	8.9	(5.3)	46.3	28.2	23.9
Operating expenses	10.0	4.6	7.6	8.5	8.6
Pre-provisioning profit (PPP)	5.7	8.8	37.5	30.2	24.7
Net profit	7.2	1.6	38.3	32.7	29.9
Normalized profit growth	7.2	1.6	38.3	32.7	29.9
EPS	7.2	1.6	16.1	20.0	29.9
Normalized EPS	7.2	1.6	16.1	20.0	29.9
Dividend payout ratio	69.6	67.7	50.0	50.0	50.0
Loan - gross	15.1	7.9	25.2	20.9	19.9
Loan - net	15.0	7.7	23.5	22.3	20.8
Borrowings	16.6	7.2	20.0	25.5	22.3
NPLs	22.5	(10.1)	22.3	24.0	20.0
Total assets	15.3	7.5	24.3	22.3	20.3
Total equity	5.9	4.5	63.5	8.7	10.4
Operating Ratios (%)					
Net interest margin (NIM)	5.3	5.2	5.5	5.5	5.4
Net interest spread	5.2	5.1	5.4	5.3	5.3
Loan yield	7.7	7.6	7.8	7.8	7.7
Borrowing cost	2.5	2.5	2.4	2.4	2.4
Yield on earnings assets	7.5	7.4	7.6	7.6	7.5
Avg cost of fund	2.6	2.5	2.4	2.4	2.4
NII / operating income	82.5	84.6	82.1	81.4	80.9
Non-II / operating income	17.5	15.4	17.9	18.6	19.1
Normalized net margin	35.0	33.1	36.2	39.0	42.1
Cost-to-income	38.0	37.1	31.5	27.7	25.1
Credit cost - provision exp / loans	1.1	1.2	1.4	1.4	1.3
PPP / total assets	4.0	3.9	4.6	4.8	5.0
PPP / total equity	29.3	30.3	30.9	31.1	35.3
Avg assets/avg equity (leverage)	7.4	7.8	6.7	6.4	7.1
ROA	2.2	2.0	2.4	2.6	2.8
ROE	16.5	15.9	16.4	16.8	19.9

Sources: Company data, Thanachart estimates

Manageable NPLs in our view

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
Gross Loan / Borrowings	192.6	190.5	249.3	260.7	260.4
Net Loan / Borrowings	168.5	166.3	214.6	227.0	228.5
Net Loan / Assets	96.5	96.7	96.1	96.0	96.4
Net Loan / Equity	743.7	766.7	578.8	650.9	711.8
S-T / L-T Borrowings	70.5	52.9	44.0	41.9	41.9
Borrowings / Liabilities	65.8	66.6	53.7	49.6	48.8
Interest-bearing Debt / Equity	650.1	666.9	489.3	564.5	625.3
Liabilities / Equity	670.9	692.8	502.3	577.7	638.3
Equity to Gross Loan	11.8	11.4	14.9	13.4	12.3
NPLs	1,419.0	1,275.7	1,560.0	1,934.4	2,321.3
NPLs / Total Loans (NPL Ratio)	3.4	2.9	2.8	2.9	2.9
Loan-Loss-Coverage (Provision / NPLs)	67.9	81.0	86.3	88.9	87.1

Sources: Company data, Thanachart estimates

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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

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Thanachart Securities Pcl.

Research Team
19 Floor, MBK Tower
444 Phayathai Road, Pathumwan Road, Bangkok 10330
Tel: 662 - 779-9119
Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA
Head of Research
Tel: 662-779-9199
pimpaka.nic@thanachartsec.co.th

Pattarawan Wangmingmat
Senior Technical Analyst
Tel: 662-779-9105
pattarawan.wan@thanachartsec.co.th

Phannarai Tiyapittayarut
Property, Retail
Tel: 662-779-9109
phannarai.von@thanachartsec.co.th

Sarachada Sornsong
Bank, Finance, Insurance
Tel: 662-779-9106
sarachada.sor@thanachartsec.co.th

Sittichet Rungrassameephat
Analyst, Quantitative
Tel: 662-483-8303
sittichet.run@thanachartsec.co.th

Adisak Phupiphathirungul, CFA
Retail Market Strategy
Tel: 662-779-9120
adisak.phu@thanachartsec.co.th

Nuttapop Prasitsuksant
Telecom, Utilities
Tel: 662-483-8296
nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom
Auto, Industrial Estate, Media, Prop. Fund
Tel: 662-483-8297
rata.lim@thanachartsec.co.th

Siriporn Arunothai
Small Cap, Healthcare, Hotel
Tel: 662-779-9113
siriporn.aru@thanachartsec.co.th

Thaloengsak Kucharoenpaisan
Analyst, Retail Market
Tel: 662-483-8304
thaloengsak.kuc@thanachartsec.co.th

Chak Reungsinpinya
Energy, Petrochemical, Paper
Tel: 662-779-9104
chak.reu@thanachartsec.co.th

Pattadol Bunnak
Electronics, Food & Beverage, Shipping
Tel: 662-483-8298
pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak
Construction, Transportation
Tel: 662-779-9112
saksid.pha@thanachartsec.co.th

Witchanan Tambamroong
Technical Analyst
Tel: 662-779-9123
witchanan.tam@thanachartsec.co.th