Asia Sermkij Leasing Pcl (ASK TB) - BUY, Price Bt44.50, TP Bt55.00

Results Comment

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ATH profits, despite higher provisions

- ASK reported strong 4Q21 profits of Bt343m, up 56% y-y and 9% q-q. 2021's profits of Bt1.2bn grew 36% y-y and made up 98% of our full-year forecast.
- Drivers were higher loans, fees, widening NIM and lower cost to income ratio.
- New loans drawdown was Bt30.8bn in 2021, up 51% y-y. The growth was from all products ie HP, financial lease and loans.
- Increasing of high-yield portion has improved lending yield to over 8% and expansion of NIM to 5.7% in 4Q21 from 5.5% and 5.2% in 3Q21 and 4Q20.
- Insurance brokerage fee grew nicely 78% y-y in 2021.
- To speed up write off and put aside management overlay provisions of Bt190m, provisions rose 47% from 2020. Credit costs were 1.7% in 4Q21 and on average of 1.4% in 2021.
- As a consequence, NPL ratio was down to 2.5% with rising LLR to 88% in 4Q21.
- We continue to like ASK on its strong growth trajectory and healthier balance sheet. Valuation is very bargained on 14x forward PE in light of over 25% EPS growth in 2022. Maintain BUY to a 55 TP.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Interest income	820	829	937	978	1,064
Interest expense	239	248	255	259	277
Net interest income	**580**	**582**	**682**	**718**	**787**
Non-interest income	122	138	153	150	166
Total income	703	719	836	868	952
Operating expense	249	272	267	257	253
Pre-provisioning profit	**454**	**447**	**568**	**611**	**700**
Provision for bad&doubtful debt	174	99	234	215	269
Profit before tax	280	348	335	396	431
Tax	59	72	66	82	88
Profit after tax	221	276	269	314	343
Equity income	-	-	-	-	-
Minority interests	-	-	-	-	-
Extra items	-	-	-	-	-
Net profit	**221**	**276**	**269**	**314**	**343**
Normalized profit	**221**	**276**	**269**	**314**	**343**
PPP/share (Bt)	1.3	1.3	1.1	1.2	1.3
EPS (Bt)	0.6	0.8	0.5	0.6	0.7
Norm EPS (Bt)	0.6	0.8	0.5	0.6	0.7
BV/share (Bt)	16.1	16.9	16.3	16.9	17.5

Income Statement			12M as		
(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Interest & dividend income	9	30	101	3,808	4,622
Interest expense	7	16	104	1,039	1,237
Net interest income	**10**	**36**	**100**	**2,769**	**3,385**
Non-interest income	11	36	101	606	772
Total income	10	36	100	3,375	4,157
Operating expense	(2)	1	99	1,049	1,153
Pre-provisioning profit	**15**	**54**	**101**	**2,326**	**3,004**
Provision for bad&doubtful debt	25	55	105	817	979
Profit before tax	9	54	99	1,509	2,026
Tax	7	48	100	307	405
Profit after tax	9	56	98	1,203	1,621
Equity income	neg	neg		-	-
Minority interests	neg	neg		-	-
Extra items	neg	neg			
Net profit	**9**	**56**	**98**	**1,203**	**1,621**
Normalized profit	**9**	**56**	**98**	**1,203**	**1,621**
PPP/share (Bt)	15	3	100	4.9	5.7
EPS (Bt)	9	4	99	2.5	3.1
Norm EPS (Bt)	9	4	99	2.5	3.1
BV/share (Bt)	4	9	18	17.5	19.1

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash and cash equivalent	395	348	395	486	471
Other current assets	315	406	482	460	622
Total current assets	710	754	877	947	1,093
Gross loans and accrued interest	44,490	46,853	49,762	52,425	55,729
Provisions	1,034	1,014	1,068	1,219	1,332
Net loans	43,456	45,839	48,694	51,206	54,396
Fixed assets	266	256	242	250	280
Other assets	498	617	729	938	899
Total assets	**44,931**	**47,465**	**50,542**	**53,340**	**56,669**
Short term borrowing	13,832	14,085	10,642	10,702	8,967
Current portion of LT loans	6,821	5,162	8,069	12,726	11,672
Other current liabilities	921	921	1,017	1,068	1,629
Total current liabilities	21,575	20,168	19,728	24,496	22,268
Borrowings	12,304	15,439	14,102	13,242	16,092
Other liabilities	5,384	5,919	8,116	6,689	9,054
Minority interest	-	-	-	-	-
Shareholders' equity	**5,668**	**5,940**	**8,596**	**8,914**	**9,255**
Total Liabilities & Equity	**44,931**	**47,465**	**50,542**	**53,340**	**56,669**

Financial Ratios					
(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Gross loan growth (YTD)	7.9	5.9	12.6	19.0	26.6
Gross loan growth (q-q)	3.1	5.9	6.4	5.7	6.3
Borrowing growth (YTD)	7.3	5.7	6.3	12.3	18.3
Borrowing growth (q-q)	3.1	0.1	0.0	5.7	5.4
Non-interest income (y-y)	13.2	29.5	93.3	44.2	35.6
Non-interest income (q-q)	17.9	12.6	11.5	(2.6)	10.8
Cost-to-income	35.4	37.9	32.0	29.6	26.5
Net interest margin	5.25	5.04	5.57	5.53	5.72
Credit cost	1.40	0.75	1.67	1.45	1.71
ROE	15.9	19.0	14.8	14.4	15.1
ROA	2.0	2.4	2.2	2.4	2.5
Loan-to-borrowing	131	131	139	139	140
Loan-to- total equity	878	887	652	665	681
NPLs (Bt m)	1,276	1,231	1,231	1,463	1,508
NPL increase	133	(45)	1	232	45
NPL ratio	2.66	2.44	2.30	2.61	2.51
Loan-loss-coverage ratio	81	82	87	83	88

Sources: Company data, Thanachart estimates

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