BUY (Unchanged) | **TP: Bt 24.00** (Unchanged) | **1 FEBRUARY 2022**

Company Update | **Upside : 15.4%**

Thanachart Securities

Bangkok Com. Asset Pcl (BAM TB)

Quality recovery

BAM's 4Q21F profits look set to bolster our view on its earnings recovery. We also see limited business disruption risk from the Omicron outbreak while the BoT's JVAMC approval should help to enhance BAM's earnings quality. Reaffirm BUY with a Bt24 TP.

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Expecting decent 4Q21F profits

We expect BAM's total cash collection for 4Q21F to be Bt4.5bn, bringing its total collection for 2021 to Bt15.6bn. This is 11% below BAM's target but pretty much in line with our forecast and 19% higher than the 2020 level. BAM's asset purchases rose to Bt1.5bn from Bt1.2bn in 3Q21. Given cautious investment and the priority being cash collection, we forecast total asset purchases to fall 66% from 2020 to Bt4bn. With improving collection in 4Q21 and manageable operating and financial expenses, we project strong 4Q21 profits of Bt810m, up 40% q-q and 2% y-y.

Prime beneficiary of JVAMC

As the largest asset management company (AMC) with strong expertise in secured loans, BAM is a prime beneficiary of the Bank of Thailand's recent approval of the formation of JVAMCs where banks and AMCs can join to set up a separate firm to acquire bad debt and manage collections under a 15-year timeframe. Having been in discussions with many banks for some time, the regulatory green light should help speed up BAM's JV set-up. BAM expects to finalize at least one JV this year. We believe the JV concept is a win-win for both banks and AMCs. As for BAM, it would help reduce its front-loaded investments and provide an expanding source of recurring income via management and success fees as the JV would outsource collection roles and duties to BAM. We also expect BAM to enjoy profit sharing from the JV after two years of operation.

Rising interest rate risk manageable

With JVs as another acquisition option, we believe BAM has passed the peak of its investment cycle of Bt13bn in 2019. Combined with rising cash collection along with the improving economy and limited COVID business disruption, we expect BAM to be able to fund most of its investments via its internal cash flow. BAM also sees no rush in having to lock in long-term funding via debenture issuances as it still has ample credit lines with banks at competitive interest rates. Despite making up 20% of BAM's total costs, we see a limited risk of rising interest rates derailing BAM's profitability and growth story.

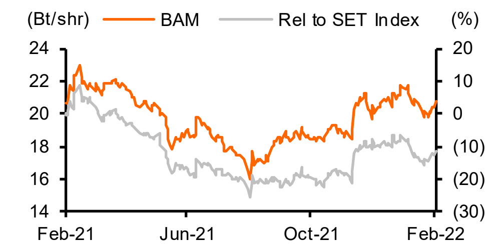
BUY with an unchanged TP of Bt24

Based on our preview, we expect BAM's full-year profits to be slightly above our current projection for a 30% EPS rise in 2021. Along with BAM's lowest investments ever and lower front-loaded investments in the future via JVs, we see potential upside to our dividend forecasts. We continue to like BAM for its solidifying earnings recovery, improving earnings quality via an increasing proportion of recurring income and net-accretive JV investments. Valuation looks undemanding at 23.5x PE in 2022F vs. a three-year EPS CAGR of 26% and ROE rising to 9% in 2023F. BUY.

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	—	2,478	3,431	4,207
Diff frm cons (%)	—	*(3.3)*	*(16.5)*	*(0.2)*
Norm profit	1,841	2,397	2,867	4,200
Prev. Norm profit	—	2,397	2,867	4,200
Chg frm prev (%)	—	*0.0*	*0.0*	*0.0*
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)	36.5	28.1	23.5	16.0
P/BV (x)	1.6	1.6	1.5	1.5
Div yield (%)	2.5	2.4	2.6	3.7
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* 1-Feb-22 (Bt)	20.80
Market Cap (US$ m)	2,024
Listed Shares (m shares)	3,232.0
Free Float (%)	54.2
Avg. Daily Turnover (US$ m)	14.88
12M Price H/L (Bt)	23.00/16.00
Sector	Finance
Major Shareholder	FIDF 45.79%

Sources: Bloomberg, Company data, Thanachart estimates

JVAMC regulations

The BoT recently allowed banks to set up JVs with AMCs

The Bank of Thailand (BoT) finalized the JVAMC regulatory framework on 14 January this year. This will pave the way for financial institutions to join hands with asset management companies (AMCs) to set up JVs to manage NPLs and NPAs. According to the regulations, the formation of JVs has to be carried out by 2024.

The JV structure is not limited to one bank and one AMC. However, a bank and an AMC have to have equal stake holdings which cannot be below 10% if there are many parties involved in the investment. The acquisition prices have to be fair and the JV has to extend at least one debt-assistance plan to debtors.

Risk-weighted assets of a bank's investment in a JV is set at 100% and banks are allowed to extend loans to the JV under a waiver of a 25% cap in lending to related parties. The JV's operational timeframe is set at 15 years from the regulation becoming effective.

Ex 1: 4Q21F Preview

(Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21F	% change	
						Q-Q	Y-Y
Total cash collection	**3,975.00**	**2,966.00**	**4,225.00**	**3,886.00**	**4,500.00**	**15.80**	**13.21**
-NPL	2,123.00	1,764.00	2,233.00	2,201.50	2,400.00	9.02	13.05
-NPA	1,852.00	1,202.00	1,992.00	1,684.50	2,100.00	24.67	13.39
Implied cost deduction	**1,655.78**	**1,439.29**	**1,916.02**	**1,803.92**	**2,088.00**	**15.75**	**26.10**
% to collection	*41.7%*	*48.5%*	*45.3%*	*46.4%*	*46.4%*	*0.0%*	*4.7%*
Gross profits	**2,319.22**	**1,526.71**	**2,308.98**	**2,082.08**	**2,412.00**	**15.85**	**4.00**
% gross margin	*58.3%*	*51.5%*	*54.7%*	*53.6%*	*53.6%*	*0.0%*	*-4.7%*
Opex	706.30	598.98	654.85	714.32	750.00	4.99	6.19
Interest expenses	636.76	615.35	669.91	644.07	650.00	0.92	2.08
EBT	**976.16**	**312.38**	**984.21**	**723.69**	**1,012.00**	**39.84**	**3.67**
Tax expenses	180.99	65.32	194.00	147.37	202.40	37.35	11.83
% corporate tax	18.5%	20.9%	19.7%	20.4%	20.0%	-0.4%	1.5%
EAT	**795.17**	**247.05**	**790.21**	**576.33**	**809.60**	**40.48**	**1.81**

Sources: Company data, Thanachart estimates

Ex 2: 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
Equity value / share (Bt)	**24.00**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 3: Valuation Comparison With Global Peers

Name	BBG Code	Country	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	ROE 21F (%)	ROE 22F (%)	Div. Yield 21F (%)	Div. Yield 22F (%)
China Cinda Asset Management	1359 HK	China	9.4	5.1	4.1	3.9	0.3	0.3	8.0	7.9	7.9	8.3
Cohen & Steers Inc.	CNS US	US	(10.9)	7.1	21.4	20.0	16.5	14.5	90.4	82.9	2.6	3.2
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	0.6	16.0	11.9	10.2	2.8	2.6	22.9	22.9	3.3	3.4
Artisan Partners Asset MA -A	APAM US	US	47.5	(0.2)	8.6	8.6	na	na	na	na	10.5	10.1
Affiliated Managers Group	AMG US	US	317.5	13.6	8.1	7.1	2.3	2.2	23.4	24.1	0.1	0.0
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	26.0	(22.8)	6.9	9.0	2.9	2.5	44.9	26.7	5.4	5.7
Fiera Capital Corp	FSZ CN	Canada	na	1.7	7.0	6.8	2.5	2.5	37.8	36.1	8.5	8.6
Bangkok Commercial Asset Mgt.	BAM TB *	Thailand	30.2	19.6	28.1	23.5	1.6	1.5	5.7	6.6	2.4	2.6
Chayo Group	CHAYO TB	Thailand	24.1	41.1	52.0	36.9	5.2	3.9	13.8	13.0	0.4	0.5
JMT Network Services	JMT TB	Thailand	6.7	31.3	55.9	42.6	7.0	5.8	16.7	15.7	1.0	1.3
Average			**60.3**	**11.4**	**20.4**	**16.9**	**4.6**	**4.0**	**28.4**	**27.0**	**4.2**	**4.4**

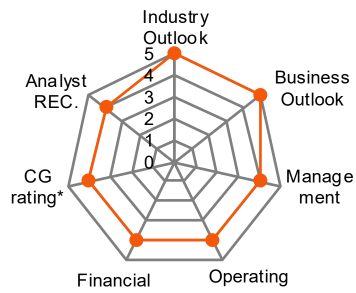
Source: Bloomberg
Note: * Thanachart estimates , using Thanachart normalized EPS
Based on 1 Feb 2022 closing prices

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	
Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

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

W — Weakness

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

O — Opportunity

- Asset acquisitions.

T — Threat

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

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	23.29	24.00	3%
Net profit 21F (Bt m)	2,478	2,397	-3%
Net profit 22F (Bt m)	3,431	2,867	-16%
Consensus REC	**BUY: 9**	**HOLD: 2**	**SELL: 1**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our 2022F profit estimate is below the Bloomberg consensus number as we are more conservative on the collections and margin.
- Our TP is higher than the Street's, which we attribute to us expecting improving earnings momentum and higher dividends.

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

Improving cash collection

Lower debt purchases

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest Income	9,140	9,946	9,304	9,632	10,097
Interest Expenses	2,132	2,391	2,557	2,636	2,571
Net Interest Income	**7,007**	**7,555**	**6,747**	**6,996**	**7,526**
% 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
Non-interest Income	**3,096**	**2,498**	**3,657**	**4,066**	**4,514**
% of total income	30.6%	24.8%	35.1%	36.8%	37.5%
Total Income	**10,104**	**10,053**	**10,404**	**11,061**	**12,040**
Operating Expenses	3,757	2,658	2,569	2,644	2,660
Pre-provisioning Profit	**6,347**	**7,395**	**7,836**	**8,417**	**9,380**
Provisions	135	5,199	4,840	4,834	4,130
Pre-tax Profit	**6,212**	**2,196**	**2,996**	**3,583**	**5,250**
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
NET PROFIT	**10,679**	**1,841**	**2,397**	**2,867**	**4,200**
Normalized Profit	**10,679**	**1,841**	**2,397**	**2,867**	**4,200**
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
ASSETS:					
Liquid Items	**1,454**	**8,164**	**1,474**	**1,528**	**1,583**
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
Properties for sales-net	**23,899**	**28,078**	**36,533**	**38,790**	**42,611**
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
Total assets	**119,919**	**132,070**	**135,390**	**140,382**	**147,369**
LIABILITIES:					
Liquid Items	**1,557**	**1,505**	**1,540**	**1,575**	**1,610**
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
Total liabilities	**78,724**	**90,273**	**92,772**	**96,587**	**101,865**
Minority interest	0	0	0	0	0
Shareholders' equity	**41,196**	**41,797**	**42,618**	**43,794**	**45,504**
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
Liabilities & Equity	**119,919**	**132,070**	**135,390**	**140,382**	**147,369**

Sources: Company data, Thanachart estimates

Undemanding valuation, in our view

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normlized PE (x)	5.7	36.5	28.1	23.5	16.0
Normalized PE - at target price (x)	6.6	42.1	32.4	27.1	18.5
PE (x)	5.7	36.5	28.1	23.5	16.0
PE - at target price (x)	6.6	42.1	32.4	27.1	18.5
P/PPP (x)	9.6	9.1	8.6	8.0	7.2
P/PPP - at target price (x)	11.0	10.5	9.9	9.2	8.3
P/BV (x)	1.6	1.6	1.6	1.5	1.5
P/BV - at target price (x)	1.9	1.9	1.8	1.8	1.7
Dividend yield (%)	5.0	2.5	2.4	2.6	3.7
Market cap / net assets (x)	0.8	0.8	0.8	0.8	0.8
Market cap / appraisal value (x)	0.3	0.3	0.3	0.3	0.3
(Bt)					
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

We see limited risk from rising interest rates

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
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	90.0	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
Operating Ratios (%)					
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

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
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
Allowance 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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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.

For sectors, an “Overweight” sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. “Underweight” is used when we have SELLs on majority of the stocks we cover by market cap. “Neutral” is used when there are relatively equal weightings of BUYs and SELLs.

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