

## Srisawad Corporation Pcl (SAWAD TB) - BUY, Price Bt57.75, TP Bt77

## Results Comment

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## Profits slightly missed our forecast

- SAWAD reported weak net profits of Bt1.14bn, down 11% y-y but up 3% q-q in 4Q21. 2021's profits were Bt4.72bn increased 5% y-y. Excluding one-off gains, norm profits were Bt4.5bn, almost flat from 2020.
- SAWAD announced to pay dividend of Bt1.8 per share, similar to 2020's level. XD and payment dates are set on 3 and 20 May respectively.
- PPOP were weaker than expected on weaker loans growth and higher expenses. Contribution from its JV with GSB was also a loss of Bt23m in 4Q21, larger q-q. The JV contributed loss of Bt29m in 2021.
- Nevertheless, SAWAD was able to enjoy management fees of Bt252m from the JV while insurance commissions were flat from 2020's at Bt666m.
- In light of BFIT's loan contraction and lower NPLs, SAWAD wrote back provisions of Bt132m in 4Q21 and 455m in 2021. This was key profits support factor. PPOP dropped 22% y-y in 4Q21 and 9% from 2020's level.
- NPLs were down 16% q-q and 15% YTD to 3.2% of total loans. But with provision write-back, LLR was down to 59%.
- We see downsides to our earnings forecast and TP. TIDLOR is our preferred microfinance play.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(Bt m)	q-q%	y-y%	% 2021F	2021A	2022F
Interest income	2,061	1,901	1,624	1,625	1,706	Interest & dividend income	5	(17)	98	6,855	7,301
Interest expense	225	219	209	189	174	Interest expense	(8)	(23)	98	791	762
<b>Net interest income</b>	<b>1,836</b>	<b>1,682</b>	<b>1,415</b>	<b>1,436</b>	<b>1,532</b>	<b>Net interest income</b>	<b>7</b>	<b>(17)</b>	<b>98</b>	<b>6,065</b>	<b>6,539</b>
Non-interest income	831	682	830	841	798	Non-interest income	(5)	(4)	98	3,152	3,953
Total income	2,665	2,364	2,246	2,277	2,330	Total income	2	(13)	98	9,217	10,493
Operating expense	841	916	793	863	904	Operating expense	5	7	105	3,476	3,100
<b>Pre-provisioning profit</b>	<b>1,824</b>	<b>1,447</b>	<b>1,453</b>	<b>1,414</b>	<b>1,427</b>	<b>Pre-provisioning profit</b>	<b>1</b>	<b>(22)</b>	<b>95</b>	<b>5,741</b>	<b>7,393</b>
Provision for bad&doubtful debt	150	(174)	(48)	(101)	(132)	Provision for bad&doubtful debt	neg	neg	na	(455)	212
Profit before tax	1,674	1,622	1,501	1,515	1,559	Profit before tax	3	(7)	98	6,196	7,181
Tax	337	378	315	307	308	Tax	0	(9)	104	1,308	1,436
Profit after tax	1,336	1,243	1,186	1,208	1,251	Profit after tax	4	(6)	97	4,888	5,744
Equity income	-	-	4	(10)	(23)	Equity income			na	(29)	148
Minority interests	(47)	(61)	(84)	(86)	(84)	Minority interests			na	(316)	(320)
Extra items	-	179	-	-	-	Extra items			100	179	-
<b>Net profit</b>	<b>1,289</b>	<b>1,361</b>	<b>1,106</b>	<b>1,112</b>	<b>1,144</b>	<b>Net profit</b>	<b>3</b>	<b>(11)</b>	<b>96</b>	<b>4,722</b>	<b>5,572</b>
<b>Normalized profit</b>	<b>1,289</b>	<b>1,182</b>	<b>1,106</b>	<b>1,112</b>	<b>1,144</b>	<b>Normalized profit</b>	<b>3</b>	<b>(11)</b>	<b>96</b>	<b>4,543</b>	<b>5,572</b>
PPP/share (Bt)	1.3	1.1	1.1	1.0	1.0	PPP/share (Bt)	1	(22)	91	4.3	5.6
EPS (Bt)	0.9	1.0	0.8	0.8	0.8	EPS (Bt)	3	(11)	93	3.6	4.2
Norm EPS (Bt)	0.9	0.9	0.8	0.8	0.8	Norm EPS (Bt)	3	(11)	92	3.4	4.2
BV/share (Bt)	16.1	17.2	16.3	17.2	18.0	BV/share (Bt)	5	12	18	18.6	19.7

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q20	1Q21	2Q21	3Q21	4Q21	(%)	4Q20	1Q21	2Q21	3Q21	4Q21
Cash and cash equivalent	1,838	3,351	1,867	2,150	2,689	Gross loan grow th (YTD)	3.1	(17.5)	(15.4)	(12.7)	(11.7)
Other current assets	5,194	11,245	8,854	5,623	4,003	Gross loan grow th (q-q)	(0.2)	(17.5)	2.6	3.2	1.2
Total current assets	7,032	14,596	10,721	7,773	6,692	Borrowing grow th (YTD)	6.6	(3.6)	(10.5)	(23.8)	(17.8)
Gross loans and accrued interest	39,656	32,245	32,873	33,979	34,054	Borrowing grow th (q-q)	(2.1)	(3.6)	(7.2)	(14.8)	(3.8)
Provisions	1,312	1,100	1,055	947	736	Non-interest income (y-y)	(0.1)	(2.5)	47.4	14.7	(3.9)
Net loans	38,344	31,145	31,818	33,032	33,318	Non-interest income (q-q)	13.3	(17.9)	21.8	1.3	(5.1)
Fixed assets	1,306	1,344	1,397	1,436	1,334	Cost-to-income	31.6	38.8	35.3	37.9	38.8
Other assets	5,325	6,576	6,783	6,958	8,623	Net interest margin	14.3	12.7	10.8	11.5	12.4
<b>Total assets</b>	<b>52,007</b>	<b>53,661</b>	<b>50,719</b>	<b>49,200</b>	<b>49,967</b>	Credit cost	1.34	(1.89)	(0.51)	(1.03)	(1.34)
Short term borrowing	200	200	56	500	500	ROE	24.0	20.7	19.2	19.3	19.0
Current portion of LT loans	5,059	4,209	6,830	8,760	8,593	ROA	10.0	8.9	8.5	8.9	9.2
Other current liabilities	7,400	6,238	5,229	4,076	4,159	Loan-to-borrowing	221.1	173.8	183.5	205.0	213.5
Total current liabilities	12,659	10,646	12,116	13,336	13,252	Loan-to-total equity	202.1	155.9	168.2	165.4	159.6
Borrowings	2,931	2,891	2,337	645	456	NPLs (Bt m)	1,480	1,465	1,532	1,480	1,249
Other liabilities	12,348	14,252	11,720	9,473	9,284	NPL increase	(284.2)	(14.9)	66.7	(52.0)	(231.2)
Minority interest	1,985	2,258	2,107	2,193	2,277	NPL ratio	3.3	4.0	4.1	3.8	3.2
<b>Shareholders' equity</b>	<b>22,085</b>	<b>23,614</b>	<b>22,439</b>	<b>23,553</b>	<b>24,698</b>	Loan-loss-coverage ratio	88.7	75.1	68.9	64.0	58.9
<b>Total Liabilities &amp; Equity</b>	<b>52,007</b>	<b>53,661</b>	<b>50,719</b>	<b>49,200</b>	<b>49,967</b>						

Sources: Company data, Thanachart estimates

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