**BUY** (Unchanged) | **TP: Bt 55.00** (Unchanged)

**Change in Numbers** | **Upside : 33.3%** | **25 MAY 2022**

# Asia Sermkij Leasing Pcl (ASK TB)

## Pullback overdone


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**With neither demand disruption nor asset quality deterioration, ASK appears set to post a strong 3-year EPS CAGR of 27% over 2022-24F. Its 17% share price fall from its YTD peak on high oil prices looks overdone. At 14x 2022F PE with 33% potential upside, reaffirm BUY.**


### Manageable higher oil price risks

With over 60% of loans disbursed for truck hire-purchase (HP), rising oil prices, particularly diesel, pose a threat to ASK's growth and asset quality outlook. This has caused ASK's share price to fall by 17% from this year's peak of Bt49.5. We believe the concerns are valid but the pullback is overdone. 1) ASK has seen no loan demand disruption. New disbursements hit a fresh high of Bt9.1bn in 1Q22 and ASK expects the strong momentum to continue. 2) Some 50% of its truck HP customers separate oil costs from transport fees. This means they don't have to shoulder rising input costs while retail customers are still able to service debts and they have started to adjust transportation charges to reflect the rising costs. 3) COVID-19 forbearance loans have fallen from 18% in 4Q21 to 16% in 1Q22. New customers seeking debt assistance are at just 3% of loans thus far. Of a total 16% in the program, 8% are 30 days past due comprising less than 5% of NPLs.

### Well prepared for higher rates

ASK has lengthened its liability duration since 1Q20. From 48% in 1Q20, the proportion of short-term borrowings has fallen to 37% in 2020, 25% in 2021 and 15% in the latest quarter. Most of ASK's long-term funding is from bank loans with fixed interest rates at tenors of two to three years. The company estimates a maximum funding cost increase of just 10bps this year. In addition to funding cost management, ASK is looking to improve lending yield via increasing exposure to SMEs, title and used-car HP loans. Lending yields of these segments are higher than 10% vs. less than 7% for new truck and luxury car HP loans.

### Strong growth story intact

We trim our earnings by an average of 1% over five years. The changes are to reflect higher insurance brokerage income and higher credit costs as we expect ASK to increase management overlay provisions from Bt364m as of 1Q22 to Bt664m to cover the risk of tourist bus loans outstanding of Bt1bn. Even so, we still expect ASK to post a three-year EPS CAGR of 27% over 2022-24F, which is backed by loan growth of 26/20/18%, growing insurance sales of 23% and the operating leverage effect.

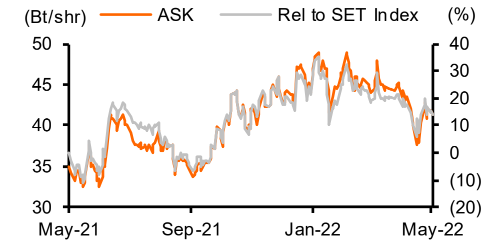
### Reaffirming BUY

We continue to like ASK for its robust earnings growth story and cheap valuation. Concerns over higher oil prices look warranted but we believe the company can handle the threat well, while we conservatively incorporate higher provisions into our numbers. At 2022F PE of 14x with a 27% three-year EPS CAGR, ASK looks very cheap to us. With 33% potential upside to our DDM-based 12-month TP of Bt55/share using 2022F base year, we reaffirm our BUY rating.

#### COMPANY VALUATION

| Y/E Dec (Bt m) | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|
| Pre Provision Profit | 2,326 | 3,171 | 3,965 | 4,822 |
| Net profit | 1,203 | 1,574 | 2,151 | 2,719 |
| Consensus NP | — | 1,634 | 1,892 | 2,064 |
| *Diff frm cons (%)* | — | *(3.7)* | *13.7* | *31.7* |
| Norm profit | 1,203 | 1,574 | 2,151 | 2,719 |
| Prev. Norm profit | — | 1,615 | 2,134 | 2,740 |
| *Chg frm prev (%)* | — | *(2.5)* | *0.8* | *(0.8)* |
| Norm EPS (Bt) | 2.5 | 3.0 | 4.1 | 5.2 |
| Norm EPS grw (%) | 14.3 | 18.3 | 36.7 | 26.4 |
| Norm PE (x) | 16.4 | 13.8 | 10.1 | 8.0 |
| P/BV (x) | 2.4 | 2.2 | 2.0 | 1.7 |
| Div yield (%) | 2.8 | 3.6 | 4.9 | 6.2 |
| ROE (%) | 16.1 | 16.3 | 20.3 | 23.0 |
| ROA (%) | 2.4 | 2.5 | 2.8 | 2.9 |

#### PRICE PERFORMANCE




#### COMPANY INFORMATION

| | |
|---|---|
| Price *as of* 25-May-22 (Bt) | 41.25 |
| Market Cap (US$ m) | 636.1 |
| Listed Shares (m shares) | 527.8 |
| Free Float (%) | 41.9 |
| Avg Daily Turnover (US$ m) | 1.8 |
| 12M Price H/L (Bt) | 49.00/32.50 |
| Sector | Finance |
| Major Shareholder | Chailease group 50.41% |

Sources: Bloomberg, Company data, Thanachart estimates

Thanachart Securities

## Strong growth story intact

With hire-purchase (HP) accounting for 90% of Asia Sermkij Leasing's (ASK) loans and more than 60% of these being truck HP loans, rising oil prices and the upward interest rate trend are headwinds to the company's profitability. These concerns have led its share price to fall by 17% from this year's peak of Bt49.5. We do not argue that these concerns are not valid but we see the share price pullback as overdone. We do not expect the two above-mentioned negative factors incurring significant harm to ASK's growth story and profitability.

**Manageable oil price impact**:

*Monitoring the impact of oil prices to asset quality*

1) ASK has seen no disruption to loan demand. New disbursements hit a fresh high of Bt9.1bn in 1Q22, growing by 28% y-y and 9% q-q. The company expects the strong momentum to continue and it is maintaining its new loan growth target of at least 20% for this year.

2) Some 50% of its truck HP customers separate oil costs from transportation fees. This means they do not have to shoulder rising input costs while the rest of its retail customers are still able to service debts and they have started to adjust their transportation charges to reflect the rising costs.

3) COVID-19 forbearance loans have fallen from 18% in 4Q21 to 16% in 1Q22. New customers seeking debt-assistance programs amount to just 3% of loans. Of the total 16% in the program, 8% are 30 days past due comprising less than 5% of NPLs.

**Well-prepared for higher rates:**

*Lengthening liability duration…*

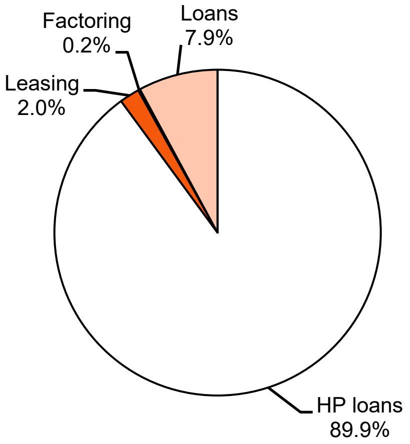
*…and raising exposure to high-yield segments*

1) ASK has lengthened its liability duration since 1Q20. From 48% in 1Q20, the proportion of short-term borrowings have fallen to 37% in 2020, 25% in 2021 and 15% in the latest quarter.

2) Most of ASK's long-term funding is from bank loans with fixed interest rates at tenors of around two to three years.

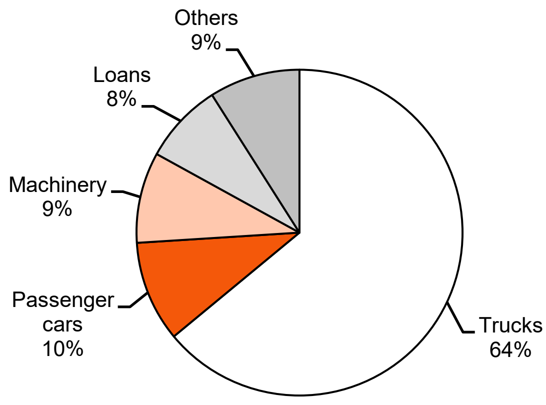
3) The company estimates a maximum funding cost increase of just 10bps for this year but plans to improve lending yield via increasing exposure to SMEs, title and used-car HP loans to offset the increase in funding costs. The lending yield of these segments is higher than 10% compared with less than 7% for new truck and luxury car HP loans.

**Ex 1: By Type Of Loan**



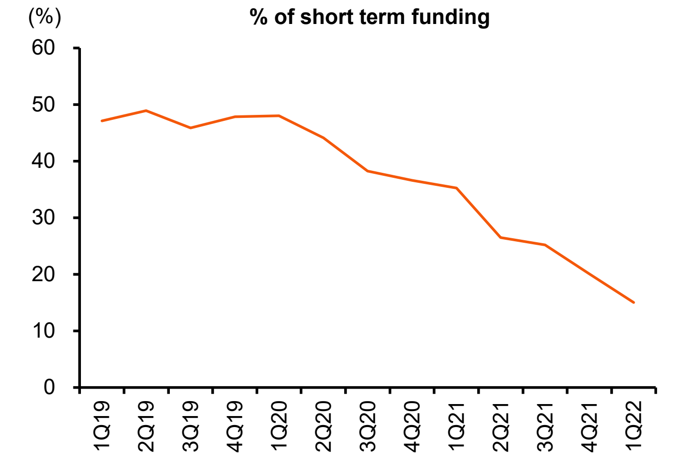

Source: Company data

**Ex 2: Loans By Product**



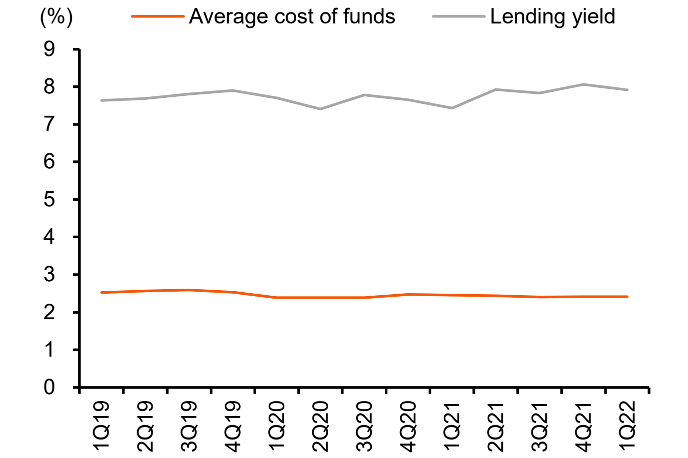

Source: Company data

**Ex 3: Lengthening Liability Duration**




Source: Company data

**Ex 4: Manageable Net Spread**




Source: Company data

ASK's 1Q22 profits hit a record high and were pretty much in line with our forecast. With exposure to Bt1bn of tourist bus loans which are not recovering well as the country has just reopened, ASK has been setting aside management overlay provisions to mitigate the risk of a reclassification of these loans to NPLs. As of 1Q22, ASK had management overlay provisions of Bt363m. With an estimated collateral value of 30-40% for these loans, the company has open exposure of around Bt600m-700m. We conservatively expect ASK to increase management overlay provisions to cover this and we increase our provisions assumption by 9% in 2022F. This is the main reason why we have trimmed our earnings estimate by 2% this year.

**Ex 5: Earnings Revisions**

| | 2020 | 2021 | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| **Net profits (Bt m)** | | | | | |
| - New | 883 | 1,203 | 1,574 | 2,151 | 2,719 |
| - Old | | | 1,615 | 2,134 | 2,740 |
| *- Change (%)* | | | *(2.53)* | *0.81* | *(0.78)* |
| **Loan growth (%)** | | | | | |
| - New | 7.72 | 25.26 | 26.26 | 20.01 | 18.20 |
| - Old | | | 22.37 | 20.66 | 18.97 |
| *- Change (pp)* | | | *3.89* | *(0.65)* | *(0.77)* |
| **Non-interest income (Bt m)** | | | | | |
| - New | 412 | 606 | 782 | 935 | 1,118 |
| - Old | | | 753 | 902 | 1,078 |
| *- Change (%)* | | | *3.78* | *3.72* | *3.65* |
| **Provisions (Bt m)** | | | | | |
| - New | 557 | 817 | 1,203 | 1,276 | 1,424 |
| - Old | | | 1,108 | 1,244 | 1,393 |
| *- Change (%)* | | | *8.55* | *2.61* | *2.16* |

Sources: Company data, Thanachart estimates

### Ex 6: 12-month DDM-based TP Calculation Using A Base Year Of 2022F

| (Bt m) | 2022F | 2023F | 2024F | 2025F | 2026F | 2027F | 2028F | 2029F | 2030F | 2031F | 2032F | Terminal value |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Dividend of common shares | 787 | 1,076 | 1,359 | 1,678 | 1,977 | 2,301 | 2,624 | 2,961 | 3,324 | 3,730 | 4,515 | 4,515 |
| Dividend of preferred shares | — | — | — | — | — | — | — | — | — | — | — | — |
| Dividend payment | 787 | 1,076 | 1,359 | 1,678 | 1,977 | 2,301 | 2,624 | 2,961 | 3,324 | 3,730 | 4,515 | 50,963 |

| | |
|---|---|
| Risk-free rate (%) | 2.5 |
| Market risk premium (%) | 8.0 |
| Beta | 0.9 |
| WACC (%) | 10.0 |
| Cost of equity | 10.0 |
| Terminal growth (%) | 2.0 |
| | |
| Equity value | 29,088 |
| No. of shares (m) | 528 |
| **Equity value / share (Bt)** | **55.00** |

Source: Thanachart estimates

Even with our earnings cuts, we still expect ASK to post a three-year EPS CAGR of 27% over 2022-24F, which is backed by loan growth of 26/20/18%, insurance sales growing by an average of 23% p.a. and improving operating leverage. Trading at a 2022F PE multiple of 14x in light of the 27% three-year EPS CAGR, ASK's valuation looks very cheap to us. We see near-term catalysts from growing new disbursements and record profits. With 33% potential upside to our DDM-based 12-month TP of Bt55 using a 2022F base year, we reaffirm our BUY rating on shares of ASK.

# Valuation Comparison

### Ex 7: Valuation Comparison With Regional Peers

| Name | BBG code | Country | EPS growth 22F | EPS growth 23F | PE 22F | PE 23F | P/BV 22F | P/BV 23F | ROE 22F | ROE 23F | Div. yield 22F | Div. yield 23F |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Afterpay Ltd | APT AU | Australia | na | na | na | na | na | na | (0.4) | 6.6 | na | na |
| Finvolution Group | FINV US | China | 375.6 | 10.2 | 0.4 | 0.4 | 0.1 | 0.1 | 21.1 | 18.8 | 21.7 | 41.6 |
| Mahindra & Mahindra Fin Secs | MMFS IN | India | (28.5) | 127.2 | 24.8 | 10.9 | 1.3 | 1.2 | 5.7 | 10.7 | 0.9 | 2.3 |
| Bajaj Finance Ltd | BAF IN | India | (0.5) | 52.1 | 50.2 | 33.0 | 8.2 | 6.6 | 17.4 | 21.7 | 0.2 | 0.4 |
| Manappuram Finance Ltd | MGFL IN | India | 1.2 | 7.9 | 5.6 | 5.2 | 0.9 | 0.8 | 17.2 | 16.5 | 3.3 | 3.6 |
| GMO Payment Gateway Inc. | 3769 JP | Japan | 75.5 | (15.0) | 50.5 | 59.4 | 12.1 | 11.0 | 22.9 | 19.6 | 0.7 | 0.8 |
| Infomart Corp. | 2492 JP | Japan | na | 201.7 | 632.7 | 209.7 | 9.7 | 9.3 | 2.0 | 5.5 | 0.1 | 0.2 |
| Ally Financial Inc | ALLY US | US | (7.5) | (0.1) | 5.0 | 5.0 | 0.9 | 0.8 | 17.3 | 16.5 | 3.1 | 3.3 |
| World Acceptance Corp | WRLD US | US | 37.1 | (48.3) | 11.2 | 21.6 | 1.9 | 1.9 | 17.3 | 8.4 | na | na |
| Navient Corp | NAVI US | US | (23.3) | (6.5) | 4.6 | 4.9 | 0.7 | 0.6 | 17.4 | 13.8 | 4.3 | 4.3 |
| SLM Corp | SLM US | US | (20.6) | 7.4 | 6.2 | 5.8 | 2.4 | 2.1 | 38.1 | 35.6 | 2.4 | 2.3 |
| Amanah Leasing | AMANAH TB | Thailand | 7.7 | 17.6 | 14.9 | 12.7 | 2.6 | 2.3 | 18.5 | 19.4 | 3.3 | 3.9 |
| Asia Sermkij Leasing * | ASK TB | Thailand | 18.3 | 36.7 | 13.8 | 10.1 | 2.2 | 2.0 | 16.3 | 20.3 | 3.6 | 4.9 |
| Bangkok Commercial Asset Mgt.* | BAM TB | Thailand | 25.3 | 17.6 | 18.3 | 15.6 | 1.4 | 1.3 | 7.5 | 8.6 | 3.8 | 4.5 |
| Chayo Group | CHAYO TB | Thailand | 106.2 | (12.5) | 27.2 | 31.0 | 3.4 | 2.7 | 15.2 | 10.6 | 0.9 | 0.9 |
| JMT Network Services * | JMT TB | Thailand | 24.6 | 49.6 | 53.8 | 36.0 | 4.6 | 4.4 | 9.6 | 12.6 | 1.5 | 2.2 |
| Krungthai Card * | KTC TB | Thailand | 7.2 | 16.0 | 24.1 | 20.8 | 5.0 | 4.3 | 22.0 | 22.3 | 1.9 | 2.2 |
| Muangthai Capital * | MTC TB | Thailand | 19.0 | 30.6 | 15.9 | 12.2 | 3.1 | 2.6 | 21.5 | 23.2 | 1.0 | 1.3 |
| Saksiam Leasing * | SAK TB | Thailand | 36.1 | 35.5 | 20.9 | 15.4 | 3.2 | 2.9 | 16.1 | 19.5 | 1.9 | 2.6 |
| Srisawad Corporation * | SAWAD TB | Thailand | 16.1 | 28.0 | 12.8 | 10.0 | 2.5 | 2.2 | 20.3 | 23.1 | 3.9 | 5.0 |
| Ratchthani Leasing * | THANI TB | Thailand | 9.6 | 12.8 | 12.5 | 11.1 | 1.9 | 1.8 | 15.7 | 16.6 | 4.8 | 5.4 |
| Ngern Tid Lor * | TIDLOR TB | Thailand | 15.9 | 27.4 | 21.7 | 17.0 | 3.2 | 2.8 | 15.8 | 17.6 | 0.9 | 1.2 |
| **Average** | | | **34.7** | **28.4** | **48.9** | **26.1** | **3.4** | **3.0** | **16.1** | **16.7** | **3.2** | **4.7** |

Source: Bloomberg
Note: * Thanachart estimates using normalized EPS growth
Based on 25 May 2022 closing price

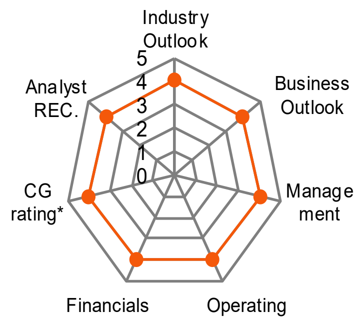
***Our major shareholder TCAP (Thanachart Capital Pcl) holds 50.96% of Thanachart Securities. TCAP also holds 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd holds 60% stake in THANI and is the major shareholder of THANI.***

## 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 offers all types of automobile HP and personal loans, sale and hire-purchase back services, floor plan financing, auto registration and transfers, tax renewal and insurance facilitation services. Its main 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)** | 55.50 | 55.00 | -1% |
| **Net profit 22F (Bt m)** | 1,634 | 1,574 | -4% |
| **Net profit 23F (Bt m)** | 1,892 | 2,151 | 14% |
| **Consensus REC** | **BUY: 4** | **HOLD: 0** | **SELL: 0** |

## HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings forecasts and TP are lower than the Bloomberg consensus, which we attribute to us being more conservative on management overlay provisions.

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*

## INCOME STATEMENT

| FY ending Dec (Bt m) | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Interest Income | 3,184 | 3,808 | 4,840 | 5,925 | 7,056 |
| Interest Expenses | 930 | 1,039 | 1,292 | 1,625 | 1,955 |
| **Net Interest Income** | **2,254** | **2,769** | **3,547** | **4,300** | **5,101** |
| % of total income | 84.6% | 82.0% | 81.9% | 82.1% | 82.0% |
| Fee income | 298 | 510 | 662 | 795 | 954 |
| % of total income | 11.2% | 15.1% | 15.3% | 15.2% | 15.3% |
| Other income | 91 | 77 | 97 | 116 | 138 |
| % of total income | 3.4% | 2.3% | 2.2% | 2.2% | 2.2% |
| **Non-interest Income** | **412** | **606** | **782** | **935** | **1,118** |
| % of total income | 15.4% | 18.0% | 18.1% | 17.9% | 18.0% |
| **Total Income** | **2,666** | **3,375** | **4,329** | **5,236** | **6,218** |
| Operating Expenses | 988 | 1,049 | 1,158 | 1,270 | 1,396 |
| **Pre-provisioning Profit** | **1,678** | **2,326** | **3,171** | **3,965** | **4,822** |
| Bad debt expenses | 557 | 817 | 1,203 | 1,276 | 1,424 |
| **Pre-tax Profit** | **1,121** | **1,509** | **1,968** | **2,689** | **3,399** |
| Income Tax | 238 | 307 | 394 | 538 | 680 |
| After Tax Profit | 883 | 1,203 | 1,574 | 2,151 | 2,719 |
| Equity Income | 0 | 0 | 0 | 0 | 0 |
| Minority Interest | 0 | 0 | 0 | 0 | 0 |
| Extraordinary Items | 0 | 0 | 0 | 0 | 0 |
| **NET PROFIT** | **883** | **1,203** | **1,574** | **2,151** | **2,719** |
| **Normalized Profit** | **883** | **1,203** | **1,574** | **2,151** | **2,719** |
| EPS (Bt) | 2.2 | 2.5 | 3.0 | 4.1 | 5.2 |
| Normalized EPS (Bt) | 2.2 | 2.5 | 3.0 | 4.1 | 5.2 |

*Robust loan growth*

## BALANCE SHEET

| FY ending Dec (Bt m) | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| **Cash and Interbank** | 395 | 471 | 500 | 500 | 500 |
| Other current assets | 315 | 622 | 470 | 480 | 490 |
| **Total current assets** | **710** | **1,093** | **970** | **980** | **990** |
| Gross loans & accr. interest | 49,777 | 63,004 | 77,693 | 92,448 | 110,911 |
| Provisions | 1,034 | 1,332 | 1,691 | 2,038 | 2,463 |
| **Net loans** | **43,456** | **54,396** | **68,675** | **82,410** | **97,357** |
| Fixed assets | 266 | 280 | 262 | 244 | 228 |
| Right of use - net | 42 | 65 | 82 | 99 | 116 |
| Other assets | 456 | 835 | 900 | 1,080 | 1,276 |
| **Total assets** | **44,931** | **56,669** | **70,888** | **84,813** | **99,966** |
| Short term borrowing | 13,832 | 8,967 | 8,519 | 10,222 | 12,267 |
| Due to related parties | 3 | 1 | 1 | 1 | 1 |
| Current LT portion | 6,844 | 11,705 | 13,981 | 17,794 | 20,763 |
| Other current liabilities | 897 | 1,595 | 2,000 | 2,100 | 2,200 |
| Long term borrowing | 17,687 | 25,146 | 36,386 | 43,628 | 52,316 |
| **Total borrowings** | **31,519** | **34,113** | **44,905** | **53,850** | **64,583** |
| Other L-T liabilities | 0 | 0 | 0 | 0 | 0 |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Shareholders' equity | 5,668 | 9,255 | 10,042 | 11,118 | 12,477 |
| **Total Liab. & Equity** | **44,931** | **56,669** | **70,888** | **84,813** | **99,966** |

Sources: Company data, Thanachart estimates

*Share price pullback is overdone, in our view*

## VALUATION

| FY ending Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| Normalized PE (x) | 18.7 | 16.4 | 13.8 | 10.1 | 8.0 |
| Normalized PE - at target price (x) | 24.9 | 21.8 | 18.4 | 13.5 | 10.7 |
| PE (x) | 18.7 | 16.4 | 13.8 | 10.1 | 8.0 |
| PE - at target price (x) | 24.9 | 21.8 | 18.4 | 13.5 | 10.7 |
| P/PPP (x) | 9.8 | 8.5 | 6.9 | 5.5 | 4.5 |
| P/PPP - at target price (x) | 13.1 | 11.3 | 9.2 | 7.3 | 6.0 |
| P/BV (x) | 2.6 | 2.4 | 2.2 | 2.0 | 1.7 |
| P/BV - at target price (x) | 3.4 | 3.1 | 2.9 | 2.6 | 2.3 |
| Dividend yield (%) | 4.1 | 2.8 | 3.6 | 4.9 | 6.2 |
| | | | | | |
| Normalized EPS | 2.2 | 2.5 | 3.0 | 4.1 | 5.2 |
| EPS | 2.2 | 2.5 | 3.0 | 4.1 | 5.2 |
| DPS | 1.7 | 1.1 | 1.5 | 2.0 | 2.6 |
| PPP/Share | 4.2 | 4.9 | 6.0 | 7.5 | 9.1 |
| BV/share | 16.1 | 17.5 | 19.0 | 21.1 | 23.6 |
| P/BV to ROE | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 |

## FINANCIAL RATIOS

*Elevated credit costs factored in*

| FY ending Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| **Growth Rate (%)** | | | | | |
| Net interest income (NII) | 9.8 | 22.8 | 28.1 | 21.2 | 18.6 |
| Non-interest income (Non-II) | (5.3) | 47.3 | 28.9 | 19.7 | 19.5 |
| Operating expenses | 4.6 | 6.2 | 10.4 | 9.7 | 9.9 |
| Pre-provisioning profit (PPP) | 8.8 | 38.6 | 36.3 | 25.1 | 21.6 |
| Net profit | 1.6 | 36.2 | 30.9 | 36.7 | 26.4 |
| Normalized profit growth | 1.6 | 36.2 | 30.9 | 36.7 | 26.4 |
| EPS | 1.6 | 14.3 | 18.3 | 36.7 | 26.4 |
| Normalized EPS | 1.6 | 14.3 | 18.3 | 36.7 | 26.4 |
| Dividend payout ratio | 67.7 | 50.0 | 50.0 | 50.0 | 50.0 |
| Loan - gross | 7.9 | 26.6 | 23.3 | 19.0 | 20.0 |
| Loan - net | 7.7 | 25.2 | 26.2 | 20.0 | 18.1 |
| Borrowings | 7.2 | 18.4 | 31.0 | 21.7 | 19.2 |
| NPLs | (10.1) | 18.2 | 15.0 | 20.0 | 20.0 |
| Total assets | 7.5 | 26.1 | 25.1 | 19.6 | 17.9 |
| Total equity | 4.5 | 63.3 | 8.5 | 10.7 | 12.2 |
| | | | | | |
| **Operating Ratios (%)** | | | | | |
| Net interest margin (NIM) | 5.2 | 5.5 | 5.6 | 5.5 | 5.5 |
| Net interest spread | 5.1 | 5.4 | 5.4 | 5.3 | 5.3 |
| Loan yield | 7.6 | 7.8 | 7.9 | 7.8 | 7.8 |
| Borrowing cost | 2.5 | 2.4 | 2.5 | 2.5 | 2.5 |
| Yield on earnings assets | 7.4 | 7.6 | 7.7 | 7.7 | 7.7 |
| Avg cost of fund | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| NII / operating income | 84.6 | 82.0 | 81.9 | 82.1 | 82.0 |
| Non-II / operating income | 15.4 | 18.0 | 18.1 | 17.9 | 18.0 |
| Normalized net margin | 33.1 | 35.6 | 36.4 | 41.1 | 43.7 |
| Cost-to-income | 37.1 | 31.1 | 26.8 | 24.3 | 22.5 |
| Credit cost - provision exp / loans | 1.2 | 1.4 | 1.7 | 1.5 | 1.4 |
| PPP / total assets | 3.9 | 4.6 | 5.0 | 5.1 | 5.2 |
| PPP / total equity | 30.3 | 31.2 | 32.9 | 37.5 | 40.9 |
| Avg assets/avg equity (leverage) | 7.8 | 6.8 | 6.6 | 7.4 | 7.8 |
| ROA | 2.0 | 2.4 | 2.5 | 2.8 | 2.9 |
| ROE | 15.9 | 16.1 | 16.3 | 20.3 | 23.0 |

Sources: Company data, Thanachart estimates

## FINANCIAL RATIOS

| FY ending Dec | 2020A | 2021A | 2022F | 2023F | 2024F |
|---|---|---|---|---|---|
| **Liquidity and Quality Ratio (%)** | | | | | |
| Gross Loan / Borrowings | 190.5 | 251.4 | 237.9 | 235.9 | 235.9 |
| Net Loan / Borrowings | 166.3 | 217.1 | 210.3 | 210.3 | 207.0 |
| Net Loan / Assets | 96.7 | 96.0 | 96.9 | 97.2 | 97.4 |
| Net Loan / Equity | 766.7 | 587.7 | 683.9 | 741.2 | 780.3 |
| S-T / L-T Borrowings | 52.9 | 35.8 | 26.1 | 26.1 | 26.1 |
| Borrowings / Liabilities | 66.6 | 52.9 | 53.7 | 53.2 | 53.8 |
| Interest-bearing Debt / Equity | 666.9 | 483.5 | 583.8 | 641.9 | 681.6 |
| Liabilities / Equity | 692.8 | 512.3 | 605.9 | 662.8 | 701.2 |
| Equity to Gross Loan | 11.4 | 14.7 | 12.9 | 12.0 | 11.2 |
| NPLs | 1,275.7 | 1,508.0 | 1,734.2 | 2,081.0 | 2,497.2 |
| NPLs / Total Loans (NPL Ratio) | 2.9 | 2.7 | 2.5 | 2.5 | 2.5 |
| Loan-Loss-Coverage (Provision / NPLs) | 81.0 | 88.4 | 97.5 | 97.9 | 98.7 |

Sources: Company data, Thanachart estimates

*Manageable NPLs in our view*

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**Note:** Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

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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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