Saksiam Leasing Pcl (SAK TB) - BUY, Price Bt8.10, TP Bt12.00

Results Comment

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Good profits, in line

- SAK reported in-line profits of Bt165m, up 39% y-y but down 11% q-q.
- The company speeded branch openings to be 90 branches in 1Q22 instead of 50 branches previously.
- Drone sales are delayed to 2Q22 due to delay in part shipments, but it still maintains targets of 1,000 drone sales this year.
- We expect higher profits in the coming quarters. Maintain our forecast and re-iterate BUY.
- Key driver y-y was strong loan growth of 33%. Loans also grew 5% q-q but with lower yield, interest income went up only 1%.
- Opex expanded along with branch expansions.
- SAK conservatively increased credit costs to reflect higher provisions. Provisions grew 494% y-y and 32% q-q with credit costs of 1.27% in the quarter.
- NPLs was manageable, increasing 10% q-q to 2.3% of total loans.
- Loan loss coverage ratio increased to 111%.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Interest income	394	440	489	517	525
Interest expense	25	21	27	30	33
Net interest income	**369**	**418**	**462**	**487**	**492**
Non-interest income	2	2	2	3	2
Total income	371	420	464	489	494
Operating expense	218	238	232	235	259
Pre-provisioning profit	**153**	**183**	**232**	**254**	**235**
Provision for bad&doubtful debt	5	12	25	22	29
Profit before tax	148	171	208	232	206
Tax	29	34	41	47	42
Profit after tax	119	137	166	185	164
Equity income	-	-	-	-	-
Minority interests	-	-	-	0	1
Extra items	-	-	-	-	-
Net profit	**119**	**137**	**166**	**185**	**165**
Normalized profit	**119**	**137**	**166**	**185**	**165**
PPP/share (Bt)	0.1	0.1	0.1	0.1	0.1
EPS (Bt)	0.1	0.1	0.1	0.1	0.1
Norm EPS (Bt)	0.1	0.1	0.1	0.1	0.1
BV/share (Bt)	2.2	2.2	2.2	2.3	2.4

Income Statement			3M as		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Interest & dividend income	2	33	22	2,419	3,018
Interest expense	10	31	19	172	250
Net interest income	**1**	**33**	**22**	**2,247**	**2,769**
Non-interest income	(17)	(5)	1	313	606
Total income	1	33	19	2,560	3,375
Operating expense	10	19	19	1,355	1,745
Pre-provisioning profit	**(8)**	**54**	**20**	**1,206**	**1,630**
Provision for bad&doubtful debt	32	494	19	156	186
Profit before tax	(11)	39	20	1,050	1,444
Tax	(11)	43	20	210	289
Profit after tax	(11)	39	20	840	1,155
Equity income	neg	neg		-	-
Minority interests	2,173	neg	(4)	(14)	(35)
Extra items	neg	neg		-	-
Net profit	**(11)**	**39**	**20**	**826**	**1,120**
Normalized profit	**(11)**	**39**	**20**	**826**	**1,120**
PPP/share (Bt)	(8)	54	20	0.8	1.0
EPS (Bt)	(11)	39	20	0.5	0.7
Norm EPS (Bt)	(11)	39	20	0.5	0.7
BV/share (Bt)	3	9	2	2.9	3.3

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Cash and cash equivalent	215	230	293	307	312
Other current assets	27	36	28	30	56
Total current assets	242	266	321	338	368
Gross loans and accrued interest	6,976	7,822	8,417	8,893	9,281
Provisions	165	173	195	208	234
Net loans	6,811	7,649	8,222	8,685	9,047
Fixed assets	114	129	125	126	139
Other assets	382	375	372	380	446
Total assets	**7,549**	**8,419**	**9,040**	**9,530**	**10,000**
Short term borrowing	2,000	2,706	2,720	3,047	3,657
Current portion of LT loans	-	87	633	610	598
Other current liabilities	215	219	211	273	281
Total current liabilities	2,215	3,012	3,564	3,931	4,536
Borrowings	448	615	531	452	113
Other liabilities	259	255	242	241	281
Minority interest	-	-	-	15	14
Shareholders' equity	**4,627**	**4,538**	**4,704**	**4,892**	**5,057**
Total Liabilities & Equity	**7,549**	**8,419**	**9,040**	**9,530**	**10,000**

Financial Ratios					
(%)	**1Q21**	**2Q21**	**3Q21**	**4Q21**	**1Q22**
Gross loan growth (YTD)	6.6	19.6	28.3	35.6	4.5
Gross loan growth (q-q)	6.6	12.2	7.3	5.7	4.5
Borrowing growth (YTD)	(31.6)	(9.1)	1.6	8.3	6.6
Borrowing growth (q-q)	(31.6)	32.8	11.7	6.6	6.6
Non-interest income (y-y)	42.1	158.6	43.7	85.5	(5.2)
Non-interest income (q-q)	62.5	(16.6)	(0.2)	37.2	(17.0)
Cost-to-income	58.8	56.5	49.9	48.0	52.4
Net interest margin	18.1	21.0	21.2	21.0	20.1
Credit cost	0.28	0.60	1.18	1.01	1.27
ROE	10.4	12.0	14.4	15.4	13.3
ROA	5.8	6.9	7.6	8.0	6.8
Loan-to-borrowing	238.7	201.5	194.1	192.4	188.3
Loan-to- total equity	147.2	168.6	174.8	177.6	178.9
NPLs (Btm)	149.4	166.6	182.8	190.8	210.8
NPL increase	6.1	17.2	16.3	8.0	20.0
NPL ratio (%)	2.14	2.13	2.17	2.15	2.27
Loan loss coverage ratio (%)	110.2	103.8	106.7	108.9	111.1

Sources: Company data, Thanachart estimates

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