Srisawad Corporation Pcl (SAWAD TB) - BUY

Analyst Meeting

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Having SCAP as its new growth engine

- **Business restructure at BFIT to undergo EBT of SCAP**
- **BFIT returns license and no longer able to raise deposits**
- **Total transaction value of Bt18bn or at forward PE of 22.6x**
- **An indirect listing of SCAP, SAWAD's new growth engine.**

- SAWAD reportedly to undergo following corporate actions at its subsidiaries- BFIT and Srisawad Capital (SCAP).
  1) For BFIT to return investment trust license and apply new personal loan license.
  2) BFIT to acquire 100% of SCAP from SAWAD (65%) and 35% from SCAP ex-shareholders and mgmt. and undergo entire business transfer (EBT) of SCAP to BFIT by 3Q22.
  3) Post-EBT, BFIT's business will cover personal loans and motorcycle HP loans. BFIT has BBB credit rating and it will be no long able to raise deposits. Land for cash loans will be extended at SAWAD's 100% subsidiary Srisawad 2014.
  4) The transaction requires 75% approval from BFIT's attended voters.
- The acquisition will be done via share swap. BFIT will issue and allocate new shares of around 750m shares through private placement to SWAD and SCAP ex-shareholders and mgmt. at Bt24 per share.
- Post-EBT, BFIT will have 100% economic interest in SCAP. SAWAD will own 70% in BFIT (from 82% previously), SCAP ex-shareholder and mgmt. will have 20% stakes in BFIT and shareholding of BFIT's minorities will be diluted to 8%. SAWAD's lower economic interest in BFIT will be offset by its higher shares in SCAP which emerges as the group's new growth engine.
- Total SCAP's transaction value equals Bt18bn (Bt11.7 to SAWAD). With new loan bookings target of Bt11.3bn and net margin to loans of 8.6%, SCAP estimates net profits of Bt797m in 2022. This implies forward PE of 22.6x in light of targeted profits growth of 145% y-y in 2022. This considers acceptable as it is quite in-line with industry's. Moreover, SCAP is on track to achieve target as new loan bookings were Bt2.5bn as of March 2022.
- We believe SAWAD's rationale behind the move is due to;
  1) With BoT's stricter regulation and its intention to lower burden of Thais, it is difficult for SAWAD to comply with regulation and fully reap benefits of BFIT's investment trust license to charge interest rate up to 36% at the same time.
  2) The company sees growth opportunity at SCAP and by doing it this way would allow SCAP to raise funds to support its growth by its own.
  3) Being under BFIT as a separate listed co, SCAP would be able to better realize its value.

Key valuation

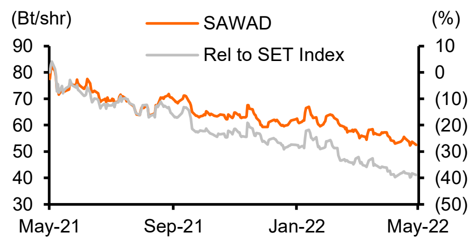
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Pre Provision Profit	5,741	7,170	9,185	11,507
Net profit	4,722	5,269	6,752	8,521
Norm profit	4,543	5,269	6,752	8,521
Norm EPS (Bt)	3.4	4.0	5.1	6.4
Norm EPS grw (%)	0.8	16.0	28.1	26.2
Norm PE (x)	15.3	13.2	10.3	8.2
P/BV (x)	2.8	2.6	2.2	1.9
Div yield (%)	3.4	3.8	4.9	6.1
ROE (%)	19.4	20.3	23.1	25.1
ROA (%)	8.9	9.8	10.8	11.9

Source: Thanachart estimates

Stock Data

Closing price (Bt)	52.50
Target price (Bt)	77.00
Market cap (US$ m)	2,088
Avg daily turnover (US$ m)	15.12
12M H/L price (Bt)	82.50/52.25

Price Performance



Source: Bloomberg

- The move is win-win to SAWAD. Boosted by SCAP, we expect SAWAD to resume robust asset growth and better profits. We have a BUY call on SAWAD to a Bt77 TP.

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