Srisawad Corporation Pcl (SAWAD TB) - BUY, Price Bt47.75, TP Bt77

Results Comment

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Weak profits in 1Q22

- SAWAD's 1Q22 normalized profits came in weak at Bt1bn, down 12% y-y and 9% q-q. Results were lower than expected as 1Q22 profits made up 20% of our full-year projection. We need to revise down our numbers but we still see significant share price upside and maintain BUY.
- Backed by growing loans of SCAP, loans rebounded nicely 7% q-q and 13% y-y.
- Interest income came down 9% y-y due to a deconsolidation of Fast Money.
- Non-interest income rose 16% y-y on higher insurance sales but down 1% q-q on seasonality impact.
- Opex jumped 8% y-y and 10% q-q on higher marketing expenses and business expansion of SCAP. Cost of services was 9x and 4x larger than 1Q21 and 4Q21 respectively.
- NPLs came down to 2.8% of total loans. SAWAD limits the offers of forbearance programs and proactively resolves bad debts. Provisions increased along with loans expansions.
- Loan loss coverage ratio stood at 58% by end of 1Q22.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Interest income	1,901	1,624	1,625	1,706	1,725
Interest expense	219	209	189	174	166
Net interest income	**1,682**	**1,415**	**1,436**	**1,532**	**1,560**
Non-interest income	682	830	841	798	794
Total income	2,364	2,246	2,277	2,330	2,354
Operating expense	916	793	863	904	991
Pre-provisioning profit	**1,447**	**1,453**	**1,414**	**1,427**	**1,363**
Provision for bad&doubtful debt	(174)	(48)	(101)	(132)	20
Profit before tax	1,622	1,501	1,515	1,559	1,343
Tax	378	315	307	308	219
Profit after tax	1,243	1,186	1,208	1,251	1,123
Equity income	-	4	(10)	(23)	(6)
Minority interests	(61)	(84)	(86)	(84)	(82)
Extra items	179	-	-	-	-
Net profit	**1,361**	**1,106**	**1,112**	**1,144**	**1,036**
Normalized profit	**1,182**	**1,106**	**1,112**	**1,144**	**1,036**
PPP/share (Bt)	1.1	1.1	1.0	1.0	1.0
EPS (Bt)	1.0	0.8	0.8	0.8	0.8
Norm EPS (Bt)	0.9	0.8	0.8	0.8	0.8
BV/share (Bt)	17.2	16.3	17.2	18.0	18.6

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	1	(9)	24	7,045	8,669
Interest expense	(5)	(24)	23	723	883
Net interest income	**2**	**(7)**	**25**	**6,322**	**7,787**
Non-interest income	(1)	16	21	3,853	4,578
Total income	1	(0)	23	10,176	12,365
Operating expense	10	8	33	3,000	3,180
Pre-provisioning profit	**(4)**	**(6)**	**19**	**7,176**	**9,185**
Provision for bad&doubtful debt	neg	neg	9	215	408
Profit before tax	(14)	(17)	19	6,961	8,776
Tax	(29)	(42)	16	1,392	1,755
Profit after tax	(10)	(10)	20	5,569	7,021
Equity income			(111)	5	31
Minority interests			27	(300)	(300)
Extra items				-	-
Net profit	**(9)**	**(24)**	**20**	**5,274**	**6,751**
Normalized profit	**(9)**	**(12)**	**20**	**5,274**	**6,751**
PPP/share (Bt)	(4)	(6)	18	5.4	6.9
EPS (Bt)	(9)	(24)	19	4.0	5.1
Norm EPS (Bt)	(9)	(12)	19	4.0	5.1
BV/share (Bt)	4	8	19	20.5	23.6

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash and cash equivalent	3,351	1,867	2,150	2,689	1,708
Other current assets	11,245	8,854	5,623	4,003	4,305
Total current assets	14,596	10,721	7,773	6,692	6,013
Gross loans and accrued interest	32,245	32,873	33,979	34,054	36,320
Provisions	1,100	1,055	947	736	704
Net loans	31,145	31,818	33,032	33,318	35,616
Fixed assets	1,344	1,397	1,436	1,334	1,279
Other assets	6,576	6,783	6,958	8,623	8,506
Total assets	**53,661**	**50,719**	**49,200**	**49,967**	**51,413**
Short term borrowing	200	56	500	500	1,000
Current portion of LT loans	4,209	6,830	8,760	8,593	9,974
Other current liabilities	6,238	5,229	4,076	4,159	4,778
Total current liabilities	10,646	12,116	13,336	13,252	15,753
Borrowings	2,891	2,337	645	456	1,139
Other liabilities	14,252	11,720	9,473	9,284	6,733
Minority interest	2,258	2,107	2,193	2,277	2,186
Shareholders' equity	**23,614**	**22,439**	**23,553**	**24,698**	**25,603**
Total Liabilities & Equity	**53,661**	**50,719**	**49,200**	**49,967**	**51,413**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Gross loan growth (YTD)	(17.5)	(15.4)	(12.7)	(11.7)	7.5
Gross loan growth (q-q)	(17.5)	2.6	3.2	1.2	7.5
Borrowing growth (YTD)	(3.6)	(10.5)	(23.8)	(26.7)	0.1
Borrowing growth (q-q)	(3.6)	(7.2)	(14.8)	(3.8)	0.1
Non-interest income (y-y)	(2.5)	47.4	14.7	(3.9)	16.4
Non-interest income (q-q)	(17.9)	21.8	1.3	(5.1)	(0.6)
Cost-to-income	38.8	35.3	37.9	38.8	42.1
Net interest margin	12.7	10.8	11.5	12.4	12.3
Credit cost	(1.89)	(0.51)	(1.03)	(1.34)	0.19
ROE	20.7	19.2	19.3	19.0	16.5
ROA	8.9	8.5	8.9	9.2	8.2
Loan-to-borrowing	173.8	183.5	205.0	213.5	228.7
Loan-to- total equity	155.9	168.2	165.4	159.6	165.5
NPLs (Bt m)	1,465	1,532	1,480	1,249	1,207
NPL increase	(14.9)	66.7	(52.0)	(231.2)	(41.8)
NPL ratio	4.0	4.1	3.8	3.2	2.8
Loan-loss-coverage ratio	75.1	68.9	64.0	58.9	58.3

Sources: Company data, Thanachart estimates

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