Asia Sermkij Leasing Pcl (ASK TB) - BUY, Price Bt36.75, TP Bt55.00

Results Comment

Sarachada Sornsong | Email: sarachada.sor@thanachartsec.co.th

Good results, in line

- ASK reported strong profits of Bt359m, up 33% y-y and 2% q-q. The strong growth y-y was driven mainly by robust loans growth and higher insurance income. Since insurance sales declined q-q, profits grew only 2% from previous quarter.
- 1H22 profits made up 45% of our full-year forecast. We expect higher profits in 2H22 so see limited downsides to our forecast.
- ASK's share prices has been hit by rising diesel prices which start to stabilize. Meanwhile it has put aside extra provisions to counter increasing default loans from rising inflationary pressure. In light of its cheap valuation, we maintain BUY.
- Driven by growing truck demands, loans grew 26% y-y and 12% YTD. Yield improved q-q but with rising cost of fund, NIM was almost flat q-q.
- Insurance sales grew y-y but dropped q-q. Opex grew along with business expansion.
- With increasing write-off to curb NPLs and a set aside of Bt29m of management overlay provisions, provisions jumped 32% y-y and 4% q-q. NPLs rose 10% q-q to 2.68% of total loans.
- ASK's LLR stood at 93% as of 2Q22.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Interest income	937	978	1,064	1,111	1,186
Interest expense	255	259	277	296	322
Net interest income	**682**	**718**	**787**	**815**	**864**
Non-interest income	153	150	166	190	185
Total income	836	868	952	1,005	1,049
Operating expense	267	257	253	275	290
Pre-provisioning profit	**568**	**611**	**700**	**730**	**759**
Provision for bad&doubtful debt	234	215	269	291	309
Profit before tax	335	396	431	439	450
Tax	66	82	88	88	91
Profit after tax	269	314	343	351	359
Equity income	-	-	-	-	-
Minority interests	-	-	-	-	-
Extra items	-	-	-	-	-
Net profit	**269**	**314**	**343**	**351**	**359**
Normalized profit	**269**	**314**	**343**	**351**	**359**
PPP/share (Bt)	1.1	1.2	1.3	1.4	1.4
EPS (Bt)	0.5	0.6	0.7	0.7	0.7
Norm EPS (Bt)	0.5	0.6	0.7	0.7	0.7
BV/share (Bt)	16.3	16.9	17.5	18.3	18.0

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	7	27	47	4,840	5,925
Interest expense	9	26	48	1,292	1,625
Net interest income	**6**	**27**	**47**	**3,547**	**4,300**
Non-interest income	(3)	20	48	782	935
Total income	4	26	47	4,329	5,236
Operating expense	5	9	49	1,158	1,270
Pre-provisioning profit	**4**	**33**	**47**	**3,171**	**3,965**
Provision for bad&doubtful debt	6	32	50	1,203	1,276
Profit before tax	2	34	45	1,968	2,689
Tax	3	38	46	394	538
Profit after tax	2	33	45	1,574	2,151
Equity income	neg	neg		-	-
Minority interests	neg	neg		-	-
Extra items	neg	neg			
Net profit	**2**	**33**	**45**	**1,574**	**2,151**
Normalized profit	**2**	**33**	**45**	**1,574**	**2,151**
PPP/share (Bt)	4	33	47	6.0	7.5
EPS (Bt)	2	33	45	3.0	4.1
Norm EPS (Bt)	2	33	45	3.0	4.1
BV/share (Bt)	(1)	11	18	19.0	21.1

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash and cash equivalent	395	486	471	452	364
Other current assets	482	460	622	673	676
Total current assets	877	947	1,093	1,125	1,040
Gross loans and accrued interest	49,762	52,425	55,729	59,398	62,609
Provisions	1,068	1,219	1,332	1,463	1,567
Net loans	48,694	51,206	54,396	57,935	61,042
Fixed assets	242	250	280	318	342
Other assets	729	938	899	941	1,557
Total assets	**50,542**	**53,340**	**56,669**	**60,318**	**63,980**
Short term borrowing	10,642	10,702	8,967	7,280	12,199
Current portion of LT loans	8,069	12,726	11,672	13,412	10,928
Other current liabilities	1,017	1,068	1,629	1,225	1,162
Total current liabilities	19,728	24,496	22,268	21,917	24,289
Borrowings	14,102	13,242	16,092	20,914	22,160
Other liabilities	8,116	6,689	9,054	7,850	8,012
Minority interest	-	-	-	-	-
Shareholders' equity	**8,596**	**8,914**	**9,255**	**9,637**	**9,519**
Total Liabilities & Equity	**50,542**	**53,340**	**56,669**	**60,318**	**63,980**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Net loan growth (YTD)		17.8	25.2	6.5	12.2
Net loan growth (q-q)	6.4	5.7	(5.9)	6.6	5.4
Borrowing growth (YTD)	6.3	12.3	18.3	8.0	16.6
Borrowing growth (q-q)	0.5	0.1	0.1	8.0	7.9
Non-interest income (y-y)	93.3	44.2	35.6	37.9	20.3
Non-interest income (q-q)	11.5	(2.6)	10.8	14.6	(2.7)
Cost-to-income	32.0	29.6	26.5	27.4	27.7
Net interest margin	5.57	5.53	5.72	5.58	5.56
Credit cost	1.67	1.45	1.93	1.96	1.97
ROE	14.8	14.4	15.1	14.9	15.0
ROA	2.2	2.4	2.5	2.4	2.3
Loan-to-borrowing	139	139	124	122	119
Loan-to- total equity	652	665	602	616	658
NPLs (Bt m)	1,231	1,463	1,508	1,523	1,679
NPL increase	1	232	45	15	156
NPL ratio	2.47	2.79	2.71	2.56	2.68
Loan-loss-coverage ratio	87	83	88	96	93

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 65 Derivative Warrants which are ADVANC16C2210A, ADVANC16C2211A, AMAT16C2209A, AOT16C2212A, AOT16C2209A, BANPU16C2210A, BCH16C2211A, BGRI16C2209A, BLA16C2208A, BLA16C2209A, CBG16C2210A, CENTEL16C2209A, COM716C2208A, COM716C2209A, COM716C2211A, COM716C2211B, COM716C2211C, CPALL16C2211A, EA16C2209A, EA16C2211A, ESSO16C2209A, ESSO16C2209B, FORTH16C2211A, GPSC16C2209A, GULF16C2210A, GUNK16C2209A, HANA16C2209A, HANA16C2211A, IVL16C2209A, IVL16C2211A, JMART16C2210A, JMART16C2211A, JMT16C2210A, JMT16C2211A, KBAN16C2208A, KBAN16C2209A, KBANK16C2211A, KCE16C2208A, KCE16C2209A, KCE16C2211A, KTC16C2211A, KTC16C2209A, MINT16C2211A, MTC16C2209A, PTG16C2211A, PTG16C2209A, PTTE16C2209A, RBF16C2209A, RCL16C2208A, SAWAD16C2211A, S5016C2209A, S5016P2209A, SAWA16C2209A, SCB16C2211A, SCB16C2208A, SET5016C2209B, SET5016P2209B, SPRC16C2209A, STEC16C2209A, TIDLOR16C2212A, TOP16C2211A, TTA16C2208A, TTA16C2211A, TU16C2210A, WHA16C2209A (underlying securities are ADVANC, AMATA, AOT, BANPU, BCH, BGRIM, BLA, CBG, CENTEL, COM7, CPALL, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MINT, MTC, PTG, PTTEP, RBF, RCL, SAWAD, SCB, SET50, SPRC, STEC, TIDLOR, TOP, TTA, TU, WHA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

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.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)