Bangkok Commercial Asset Pcl (BAM TB) - BUY, Price Bt17.5, TP Bt27 | Results Comment

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Decent profits

- BAM reported 2Q22 profits of Bt831m, up 5% y-y and 166% q-q. Key growth driver were higher cash collection, better collection margin and lower tax expenses.
- With BAM's expectation of higher cash collection in 2H22 albeit higher tax, we foresee stronger 2H22 profits. Despite 1H22 making up 35% of our full-year forecast, we keep our projection as is and we re-iterate BUY.
- BAM purchased NPLs of Bt1.4bn in this quarter. For 1H22, it acquired total NPLs of Bt2.74bn and Bt4m of NPA.
- Total cash collections were Bt3.95bn, down 6% y-y but up 25% q-q. The split was 61% from NPL and 39% of NPA. The collections were 4% below BAM's target of Bt4.12bn in 2Q22. Despite lower cash collection y-y, margin was higher at 58% versus 54% in 2Q21.
- Opex rose 16% y-y and 23% q-q on higher personnel expenses, rising property and building on NPA sales and growing marketing and advertisement expenses.
- BAM has realized some tax benefits from clean loans. In light of abnormally low tax rate and higher margin on debt collection, net profits margin rose to 30% in 1Q22 from 15% in 1Q22 and 28% in 2Q21.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Interest & dividend income	2,388	2,460	2,585	2,151	2,642
Interest expense	670	644	629	620	651
Net interest income	**1,718**	**1,816**	**1,956**	**1,531**	**1,990**
Non-interest income	1,116	808	1,177	497	739
Total income	2,834	2,624	3,133	2,028	2,729
Operating expense	636	714	786	598	737
Pre-provisioning profit	**2,198**	**1,910**	**2,347**	**1,430**	**1,993**
Provision for bad&doubtful debt	1,214	1,186	1,112	1,058	1,084
Profit before tax	984	724	1,236	372	909
Tax	194	147	249	60	78
Profit after tax	790	576	987	312	831
Equity income	-	-	-	-	-
Minority interests	-	-	-	-	-
Extra items	-	-	-	-	-
Net profit	**790**	**576**	**987**	**312**	**831**
Normalized profit	**790**	**576**	**987**	**312**	**831**
PPP/share (Bt)	0.7	0.6	0.7	0.4	0.6
EPS (Bt)	0.2	0.2	0.3	0.1	0.3
Norm EPS (Bt)	0.2	0.2	0.3	0.1	0.3
BV/share (Bt)	12.7	12.9	13.2	13.3	13.0

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	23	11	45	10,544	11,579
Interest expense	5	(3)	46	2,742	3,116
Net interest income	**30**	**16**	**45**	**7,802**	**8,463**
Non-interest income	49	(34)	32	3,808	3,816
Total income	35	(4)	41	11,610	12,279
Operating expense	23	16	47	2,853	2,957
Pre-provisioning profit	**39**	**(9)**	**39**	**8,757**	**9,322**
Provision for bad&doubtful debt	2	(11)	46	4,684	4,532
Profit before tax	144	(8)	31	4,073	4,791
Tax	30	(60)	17	815	958
Profit after tax	166	5	35	3,259	3,832
Equity income	neg	neg		-	-
Minority interests	neg	neg		-	-
Extra items	neg	neg		-	-
Net profit	**166**	**5**	**35**	**3,259**	**3,832**
Normalized profit	**166**	**5**	**35**	**3,259**	**3,832**
PPP/share (Bt)	39	(9)	39	2.7	2.9
EPS (Bt)	166	5	35	1.0	1.2
Norm EPS (Bt)	166	5	35	1.0	1.2
BV/share (Bt)	(2)	2	13	13.6	14.0

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash and Interbank	4,496	2,003	3,433	1,619	2,473
Other liquid items	-	-	-	-	-
Total liquid items	4,496	2,003	3,433	1,619	2,473
Gross loans and accrued interes	2,270	2,240	2,241	2,148	2,112
Provisions	1,235	1,202	1,191	1,160	1,134
Net loans	844	833	833	771	748
Fixed assets	30,400	30,635	30,822	31,682	32,341
Other assets	17,141	17,572	17,411	18,065	18,635
Total assets	127,271	124,281	125,904	124,805	126,265
Accrued interest payable	546	547	553	562	590
Provisions for employee benefits	1,024	1,041	987	1,005	1,022
Total liquid items	1,569	1,588	1,540	1,566	1,612
Lease liabilities	17	17	1	1	1
Borrowings	83,488	79,966	80,154	78,610	80,528
Other liabilities	1,020	960	1,455	1,569	2,013
Minority interest	-	-	-	-	-
Shareholders' equity	**41,193**	**41,768**	**42,756**	**43,059**	**42,113**
Total Liabilities & Equity	**127,271**	**124,281**	**125,904**	**124,805**	**126,265**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Gross loan purchased (YTD)	0.3	0.3	1.4	1.7	0.5
Gross loan purchased (q-q)	(0.6)	(0.0)	1.4	0.3	0.5
Borrowing growth (YTD)	3.8	(0.6)	0.2	(1.7)	2.4
Borrowing growth (q-q)	4.6	(4.2)	0.2	(1.9)	2.4
Non-interest income (y-y)	134.9	9.3	15.2	(21.8)	(33.8)
Non-interest income (q-q)	75.6	(27.6)	45.7	(57.8)	48.7
Avg cost of fund	3.3	3.2	3.1	3.1	3.3
NII / operating income	60.6	69.2	62.4	75.5	72.9
Non-II / operating income	39.38	30.80	37.57	24.51	27.08
Normalized net margin	27.88	21.96	31.49	15.38	30.43
Cost-to-income	22.4	27.2	25.1	29.5	27.0
Pretax Profits/ total assets	3.1	2.3	3.9	1.2	2.9
Pretax Profits / total equity	9.6	6.9	11.6	3.5	8.6
Avg assets/avg equity (leverage)	1.48	1.51	1.51	1.53	1.50
ROA	2.48	1.85	3.13	1.00	2.63
ROE	7.67	5.52	9.23	2.90	7.89
Receivables to borrowing ratio	1.1	1.2	1.2	1.2	1.2
Debt to equity ratio	2.0	1.9	1.9	1.8	1.9

Sources: Company data, Thanachart estimates

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