Finance Sector – Overweight

News update

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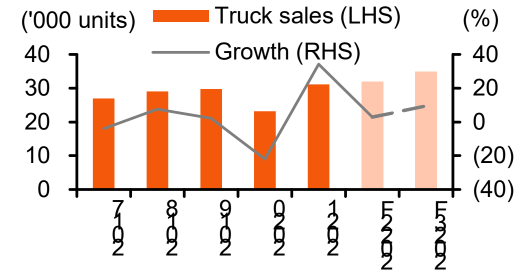
Strong truck demand but rising competition

- **Hino and Isuzu look for 9-10% growth of truck sales in 2023**
- **ASK and THANI target new loans growth of 15% and 20%**
- **Coming off from high base, challenges are high on ASK**
- **Both are BUY but we prefer THANI to ASK**

We joined ASK's analyst meeting and THANI's opportunity day yesterday. Both are major truck leasing and super car HP players. Both confirm on strong truck demand driven by country re-opening, growing fruit exports, logistics and cross border trades.

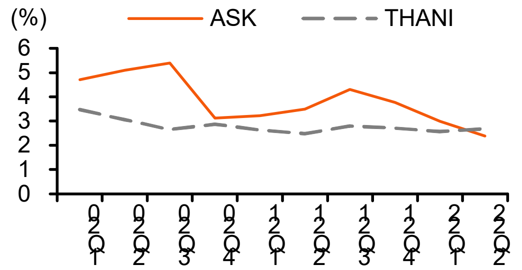
- Driven by agriculture, consumption, logistic and border trades, truck sales are expected to end the year at around 31-32k (15.7k sales in 1H22). Hino and Isuzu forecast truck sales of Bt35k, implying growth of c. 9-10% in 2023.
- 3Q is low rainy season but THANI is confident of achieving new lending target of Bt28bn (from Bt26bn) after making Bt14.4bn in 1H22. Meanwhile, ASK maintains new lending growth of 20% or expecting new drawdown of Bt37bn in 2022.
- Looking into 2023, ASK would still like to grow new loans of 20%. To achieve this, it expects to offer more competitive pricing for truck lending and significantly grow new high-yield products ie truck titled loans and used car hire purchase.
- THANI foresees very strong new drawdown of Bt2.7-2.8bn in 4Q22 and expects this to continue in 2023. Therefore, it is looking to grow new loans of 15% next year. In addition to growing truck loans, THANI expects strong growth of floor plan and truck titled loans. These are THANI's products being launched from 1Q22 and 3Q22 respectively.
- Yield is falling for THANI as it focuses on truck fleet and corporate customers to keep asset quality healthy. Meanwhile, ASK will be more competitive and expects to compensate lower yield of truck loans with rising portion of high yield titled and SME loans.
- Despite credit rating upgrade from BBB+ to A, ASK expects a rise in cost of fund. It will issue more debenture from 4Q22. Of total liability of Bt54bn in 2Q22, Bt7bn at average costs of 3.1% and Bt10bn at average costs of 3% will come on due in 2H22 and 2023 respectively.
- This is while THANI has managed to lower cost of fund q-q in 2Q22 and it looks to further lengthen its liability duration to raise LT funding from 57% to 70% in 3Q22 to 80% by end of 2022.
- As for asset quality, THANI has done better due to its limited lending exposure during Covid-19 crisis and very proactive collection policies. THANI expects NPL ratio to stay low and sees rooms to write back provisions further.

Ex 1: Truck Sales



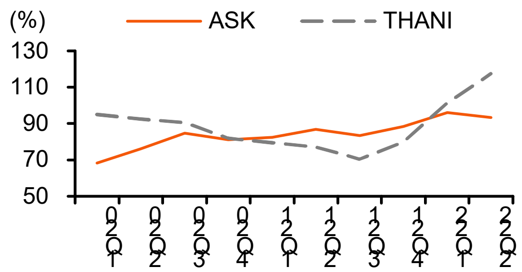
Sources: Company data, Thanachart estimates

Ex 2: NPL Comparison



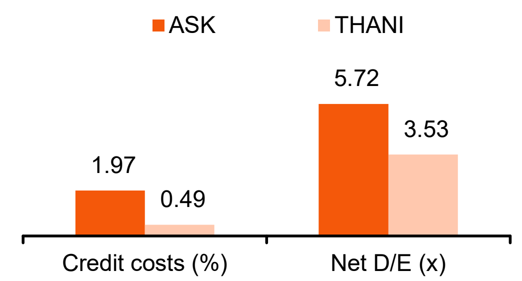
Source: Company data

Ex 3: LLR Comparison



Source: Company data

Ex 4: Credit Costs And Gearing



Source: Company data

- As 10% of its truck lending exposure having trouble in passing on rising higher oil prices, ASK will still have to undergo debt restructuring plans for this group of customers. As NPLs would still be on the rise, it will continue writing off NPLs and increase provisioning buffer in 3Q22.
- Coming off from high base with intensifying competition to pre-Covid 19 era, we see challenges of ASK achieving 20% new loans growth next year. We see downsides to our earnings forecast but still expect it grow earnings in double digit manner.
- THANI's financial targets look to be more bullish than what we are assuming now. We see upsides to our earnings forecast for THANI. Both are BUY but we prefer THANI to ASK due to the former's stronger balance sheet quality.

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