Ratchthani Leasing Pcl (THANI TB) - BUY, Price Bt4.28, TP Bt5.30

Results Comment

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Strong results, in line

- THANI's 2Q22 profits came in line but beat consensus estimates by 7%. In addition, THANI's NPL ratio is bucking the sector's rising trend thanks to its prudent loans underwriting during Covid and proactive repossession activities.
- 1H22 profits made up 48% of our full-year forecast. We maintain our projection and re-iterate BUY.
- Led mainly by truck segment, loans grew nicely 3% q-q and 6% YTD. Yield held up well while funding costs were manageable. NIM was stable at 5%.
- Opex jumped 41% y-y and 15% q-q due to higher litigation and impairment losses on its active repossession activities.
- NPL fell 18% q-q to 2.4% of total loans. THANI then cut provisions by 49% y-y and 43% q-q.
- Even so, loan loss coverage ratio went up to 117% from 101% in 1Q22.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Interest income	843	923	821	843	867
Interest expense	228	231	225	220	224
Net interest income	**616**	**692**	**596**	**624**	**644**
Non-interest income	190	177	240	239	232
Total income	806	870	835	863	876
Operating expense	137	151	156	169	194
Pre-provisioning profit	**669**	**719**	**680**	**694**	**682**
Provision for bad&doubtful debt	140	231	109	126	71
Profit before tax	529	488	571	568	611
Tax	101	87	117	113	119
Profit after tax	428	401	454	455	492
Equity income	-	-	-	-	-
Minority interests	(0)	(0)	0	(0)	(0)
Extra items	-	-	-	-	-
Net profit	**428**	**401**	**454**	**455**	**492**
Normalized profit	**428**	**401**	**454**	**455**	**492**
PPP/share (Bt)	0.1	0.1	0.1	0.1	0.1
EPS (Bt)	0.1	0.1	0.1	0.1	0.1
Norm EPS (Bt)	0.1	0.1	0.1	0.1	0.1
BV/share (Bt)	1.9	2.0	2.0	2.1	2.0

Income Statement			6M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	3	3	48	3,574	4,014
Interest expense	2	(2)	47	934	1,091
Net interest income	**3**	**5**	**48**	**2,640**	**2,923**
Non-interest income	(3)	22	49	962	1,087
Total income	2	9	48	3,601	4,010
Operating expense	15	41	52	702	758
Pre-provisioning profit	**(2)**	**2**	**47**	**2,900**	**3,252**
Provision for bad&doubtful debt	(43)	(49)	46	425	445
Profit before tax	7	16	48	2,475	2,807
Tax	5	17	47	495	561
Profit after tax	8	15	48	1,980	2,246
Equity income	neg	neg		-	-
Minority interests	neg	neg		-	-
Extra items	neg	neg			
Net profit	**8**	**15**	**48**	**1,980**	**2,246**
Normalized profit	**8**	**15**	**48**	**1,980**	**2,246**
PPP/share (Bt)	(2)	2	47	0.5	0.6
EPS (Bt)	8	15	48	0.3	0.4
Norm EPS (Bt)	8	15	48	0.3	0.4
BV/share (Bt)	(4)	8	2	2.2	2.3

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	2Q21	3Q21	4Q21	1Q22	2Q22
Cash and cash equivalent	1,144	829	476	631	558
Other current assets	202	192	182	220	265
Total current assets	1,346	1,021	658	851	823
Gross loans and accrued interest	49,098	49,099	49,396	50,635	52,250
Provisions	1,321	1,482	1,485	1,533	1,459
Net loans	47,777	47,617	47,911	49,102	50,791
Fixed assets	156	165	165	163	163
Other assets	439	482	489	501	540
Total assets	**49,717**	**49,285**	**49,223**	**50,617**	**52,317**
Short term borrowing	8,589	9,720	9,403	8,211	10,712
Current portion of LT loans	7,911	4,624	5,809	5,784	5,584
Other current liabilities	1,135	3,741	3,567	3,923	1,792
Total current liabilities	17,634	18,085	18,778	17,918	18,089
Borrowings	2,645	2,044	2,045	2,045	2,046
Other liabilities	18,728	18,045	16,834	18,632	20,631
Minority interest	0	0	0	0	0
Shareholders' equity	**10,710**	**11,111**	**11,567**	**12,022**	**11,551**
Total Liabilities & Equity	**49,717**	**49,285**	**49,223**	**50,617**	**52,317**

Financial Ratios					
(%)	2Q21	3Q21	4Q21	1Q22	2Q22
Gross loan growth (YTD)	2.2	2.0	2.8	2.7	6.1
Gross loan growth (q-q)	1.2	(0.2)	0.8	2.7	3.4
Borrowing growth (YTD)	3.1	(6.3)	(7.2)	1.7	14.3
Borrowing growth (q-q)	3.9	(0.1)	(0.0)	1.7	12.4
Non-interest income (y-y)	(2.2)	(0.5)	28.7	26.5	22.1
Non-interest income (q-q)	0.5	(6.9)	35.3	(0.1)	(2.9)
Cost-to-income	17.0	17.3	18.6	19.6	22.1
Net interest margin	4.99	5.60	4.84	5.00	5.00
Credit cost	1.03	1.70	0.79	0.89	0.49
ROE	15.6	14.7	16.0	15.4	16.7
ROA	3.5	3.2	3.7	3.6	3.8
Loan-to-borrowing	144	158	161	162	149
Loan-to- total equity	508	489	474	468	503
NPLs (Bt m)	1,714	2,109	1,863	1,514	1,244
NPL increase	151	395	(246)	(349)	(270)
NPL ratio	3.5	4.3	3.8	3.0	2.4
Loan-loss-coverage ratio	77	70	80	101	117

Sources: Company data, Thanachart estimates

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.

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