

BUY (Unchanged)

Change in Numbers

TP: Bt 65.00

Upside : 33.3%

(From: Bt 77.00)

9 SEPTEMBER 2022

Srisawad Corporation Pcl (SAWAD TB)

Back to growth mode

With pre-COVID lending appetite returning, SAWAD has undergone a business transformation to build a new pathway for growth. Led by motorcycle HP loans, lending momentum came back strongly in 2Q22. We expect an earnings growth turnaround to kick in from 3Q22F and reaffirm our BUY call with a lower Bt65 TP.



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Bottomed out; BUY with a Bt65 TP

Given fewer synergistic benefits from its JV with the Government Savings Bank, we cut SAWAD's 2022-24F earnings by an average of 21%. We reaffirm BUY with a DDM-based 12-month TP (2023F base year) of Bt65 (from Bt77). 1) SAWAD'S earnings already bottomed out in 1H22. 2) SAWAD has seen lending appetite return to the pre-COVID level and is focused on growing auto- and land-title loans and gaining a significant market share in new motorcycle HP loans. 3) Thanks to its cautious and stricter loan underwriting during the pandemic and active repossessions, SAWAD has contained NPL risks. 4) SAWAD looks very cheap to us on 2023F PE of 12x vs. a three-year EPS CAGR of 20%.

Expanding to new segments

SAWAD already got the green light in June to merge Srisawad Capital (SCAP) into BFIT and return BFIT's investment trust license to the Bank of Thailand (BoT). The transformation was undertaken to facilitate the group's plan to aggressively expand to motorcycle HP and personal loans. Thanks to tight relationships with dealers and its competitive pricing, SCAP had the largest market share of 15-16% in 2Q22. SCAP has been able to avoid fraudulent NPLs and has contained its NPL ratio at 2%. SCAP is emerging as the group's new growth driver, while SAWAD is starting to recoup lost market share in auto- and land-title loans.

Accelerating growth from 3Q22F

With the spin-off of motorcycle title-loans to the JV, lower loan-related fees and higher incentive and marketing expenses to support motorcycle HP loan growth, 1H22 normalized profits were very weak, down 9% y-y. We expect earnings growth to accelerate from 3Q22F on 1) higher revenue recognition from 24% loan growth YTD in 2Q22 and our loan growth expectation of 21% in 2023F and 17% in 2024F; 2) higher lending yield and manageable cost of funds; and 3) a lower cost-to-income ratio as front-loaded expenses are slowing while revenues are gaining momentum.

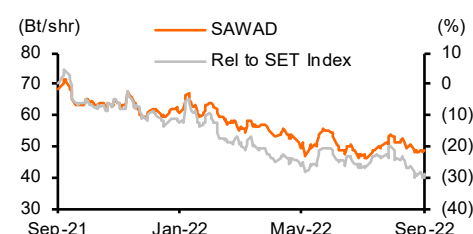
New risk profile factored in

A loan mix shift toward higher-risk motorcycle HP and personal loans to over 30% (from 5% in 2020) would alter SAWAD's balance sheet risk profile. In the robust early growth stage, we don't view this segment's NPL ratio of 2% as an accurate indicator. We expect NPLs to rise much faster from 2023F, but given SAWAD's very rigid debt-collection track record, we bake in an NPL ratio rise to 3.5-4.5% in 2023-25 and factor in higher credit costs of 1% p.a. We expect the new HP law to be enacted soon, so we factor in a fall in the interest rate for new motorcycle HP loans to 24% p.a. from its current charge of c.30%-plus p.a.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Pre Provision Profit	5,741	6,102	7,845	9,388
Net profit	4,722	4,423	5,353	6,403
Consensus NP	—	4,450	5,282	6,148
Diff frm cons (%)	—	(0.6)	1.3	4.1
Norm profit	4,543	4,423	5,353	6,403
Prev. Norm profit	—	5,274	6,751	8,521
Chg frm prev (%)	—	(16.1)	(20.7)	(24.9)
Norm EPS (Bt)	3.4	3.3	4.0	4.8
Norm EPS grw (%)	0.8	(2.6)	21.0	19.6
Norm PE (x)	14.2	14.6	12.1	10.1
P/BV (x)	2.6	2.5	2.2	2.0
Div yield (%)	3.7	3.7	4.1	5.0
ROE (%)	19.4	17.3	19.2	20.5
ROA (%)	8.9	7.8	7.7	8.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 9-Sep-22 (Bt)	48.75
Market Cap (US\$ m)	1,843.6
Listed Shares (m shares)	1,373.2
Free Float (%)	44.9
Avg Daily Turnover (US\$ m)	11.2
12M Price H/L (Bt)	71.25/46.00
Sector	Finance
Major Shareholder	Kaewbootta Family 34.06%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P11

Business transformation nearly done

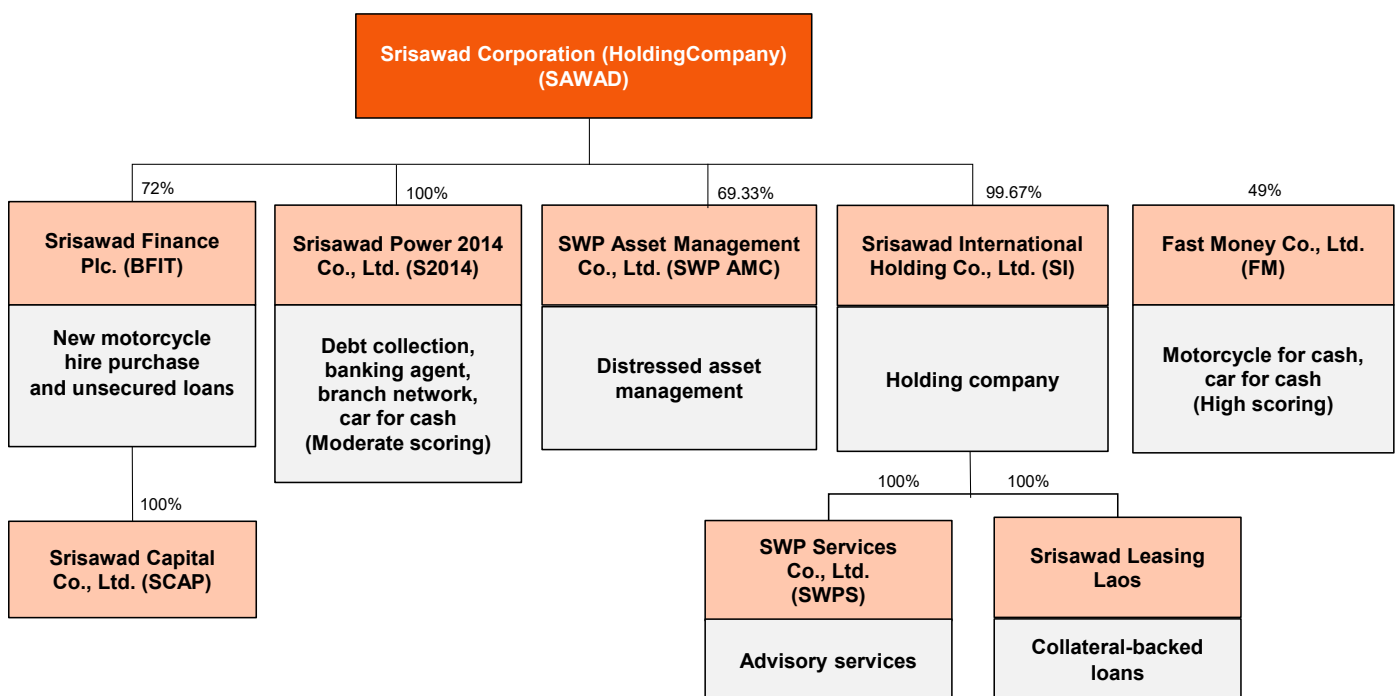
Undergoing business transformation to pursue aggressive growth of SCAP

Srisawad Corporation Pcl's (SAWAD) group received the green light from shareholders at its Extraordinary General Meeting (EGM) on 23 June 2022 to undergo a business transformation by merging Srisawad Capital (SCAP) into Srisawad Finance Public Company Limited (BFIT) and for BFIT to return its investment trust license to the Bank of Thailand (BoT).

The acquisition is to be carried out via a share swap. BFIT plans to issue and allocate around 750m new shares through a private placement to SAWAD and SCAP's ex-shareholders and management at Bt24 per share. The group is now undergoing the entire business transfer (EBT) process, scheduled to be completed by 3Q22.

Post-EBT, BFIT would have a 100% economic interest in SCAP. SAWAD would own around 72% of BFIT (from 82% previously). SCAP's ex-shareholders and management would have a 20% stake in BFIT while the holding of BFIT's minority shareholders would be diluted to 8%. BFIT's business would cover personal loans and motorcycle HP loans. As BFIT is returning its license, it will not be able to raise deposits. It currently has a BBB credit rating so it expects to raise funds via bank loans and debentures. Land for cash loans would be extended at SAWAD's 100% subsidiary, Srisawad 2014.

Ex 1: SAWAD's New Corporate Structure



Source: Company data

Ex 2: Type Of Services

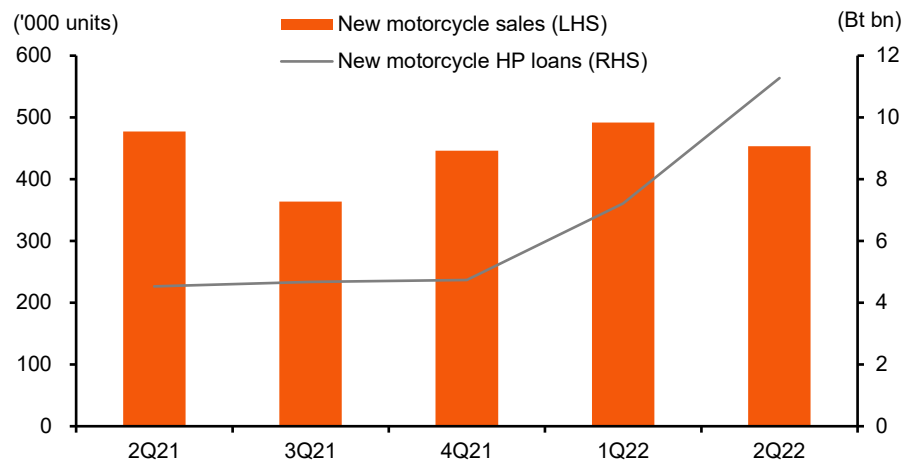
Type of service	Auto-backed loans	House & Land-backed loans	Personal loans & nano finance
			
Payment period	6-48 months	12-24 months	24-36 months
Loan approval rate	30-70% of market price	20-30% of government price	2.5 times monthly income (not over Bt50,000)
Type of contract	Loans/Hire purchase (Title-transfer or no title-transfer)	Loans (Mortgage or sale with right of redemption)	Loans (Unsecured)
Payment period		Payment period	
- Use vehicle title and title as collateral. - The company offers loan services to low-income individuals who have no access to services from commercial banks but own a vehicle or land.		Personal loan: The company offers personal loans only to existing customers who have good payment records. Nano Finance: Credit line is limited at Bt100,000.	

Source: Company data

We believe the rationale behind SAWAD's move is as follows:

- 1) With the BoT's stricter regulation and its intention to lower the financial burden on Thais, it is difficult for SAWAD to comply with the regulation and fully reap the benefits of BFIT's investment trust license to charge interest of up to 36% at the same time.
- 2) The company has seen a growth opportunity at SCAP and doing things this way would allow SCAP to utilize BFIT's under-gearred balance sheet to support business growth by itself in the future.
- 3) Being under BFIT as a separate listed company, SCAP would be able to better realize its market value, leading to a higher holding value for SAWAD.

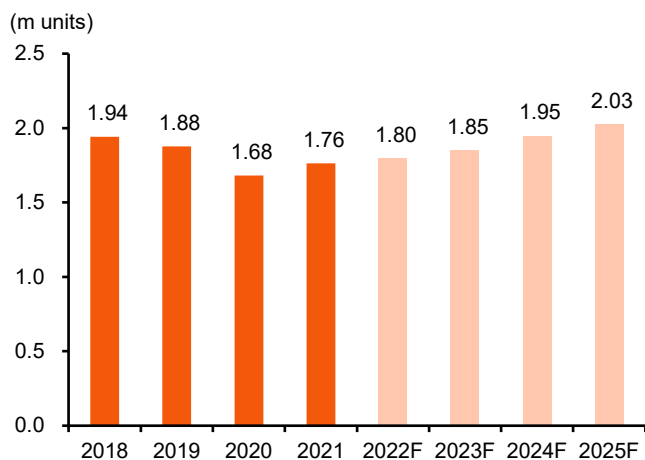
Thanks to its tight relationships with motorcycle dealers nationwide and competitive pricing strategy, SCAP successfully accomplished its new loan booking target of Bt11bn in 2Q22. New motorcycle HP loans came to Bt11.3bn in 2Q22, growing 138% from 2021. SCAP has the largest market share of new motorcycle HP loans at 15-16%. With an extensive client database, SCAP has been able to avoid fraudulent NPLs and it has contained its NPL ratio at 2% currently.

Ex 3: New Motorcycle Sales Vs SCAP's Motorcycle HP Loans.

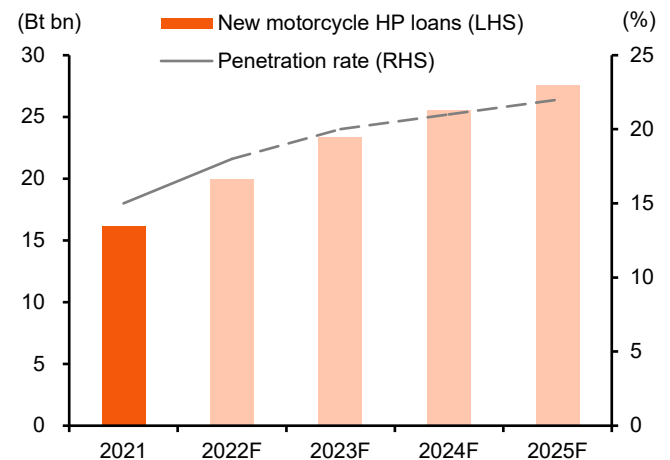
Source: Company data

Having the largest share in new bookings of new motorcycle HP loans

We expect SCAP to emerge as the group's new growth driver. We estimate growth in SAWAD's new motorcycle HP loans of 285% this year, 17% in 2023F and 9% in 2024F. The slower growth from next year is due to higher repayments given average loan durations of 48-60 months, slower market share gains as it has already become No.1 and our projections for new motorcycle sales growth of 3% in 2023F, 4% in 2024F and 5% in 2025F.

Ex 4: New Motorcycle Sales

Sources: Company data, Thanachart estimates

Ex 5: SCAP's Motorcycle HP Loans And Penetration Rate

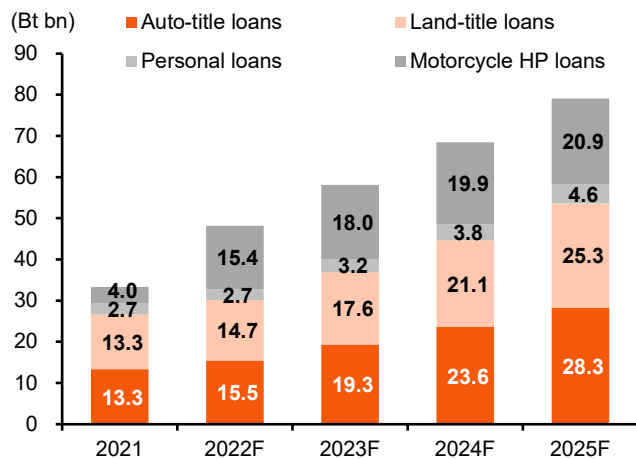
Sources: Company data, Thanachart estimates

Better outlook for its original auto and land-titled loans.

As for SAWAD itself, its focus is on two main products, i.e., auto- and land-title loans. Both products will be handled mainly by SAWAD's 100% subsidiary, Srisawad 2014. Auto-title loans are subject to an interest rate cap of 24% under the personal loan license. Meanwhile, SAWAD is extending land-title loans via promissory notes (PN). Thus, SAWAD believes it can charge high interest rates for land-title loans similar to what it did under BFIT's license.

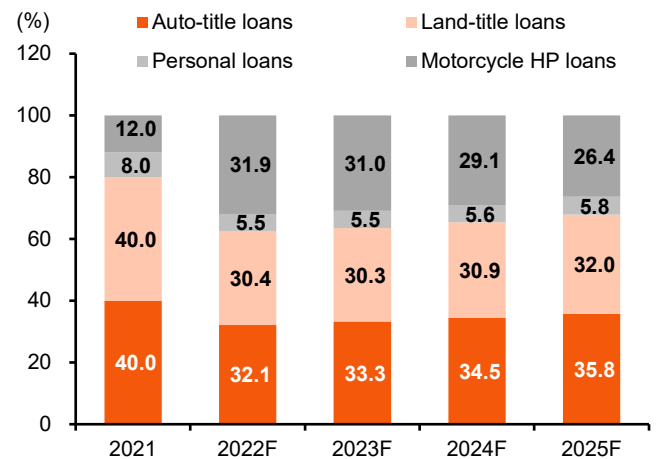
With most of its customers being merchants, street vendors and small kiosk operators, SAWAD was very cautious during the severe COVID-19 outbreak that had led to country lockdowns during 2020-21. It cut average LTV to below 50% for auto-title loans and 20% for land-title loans. Thanks to a resumption of business activity after the country's reopening, lending appetite is resuming for SAWAD and it is gradually starting to recoup lost market share in auto- and land-title loans. Auto- and land-title loans grew by 9% and 10% respectively YTD in 2Q22. We expect SAWAD to grow them by a respective 25/22/20% and 20% p.a. in 2023-25F.

Ex 6: Loans Growth By Products



Sources: Company data, Thanachart estimates

Ex 7: Change Of Loan Mix



Sources: Company data, Thanachart estimates

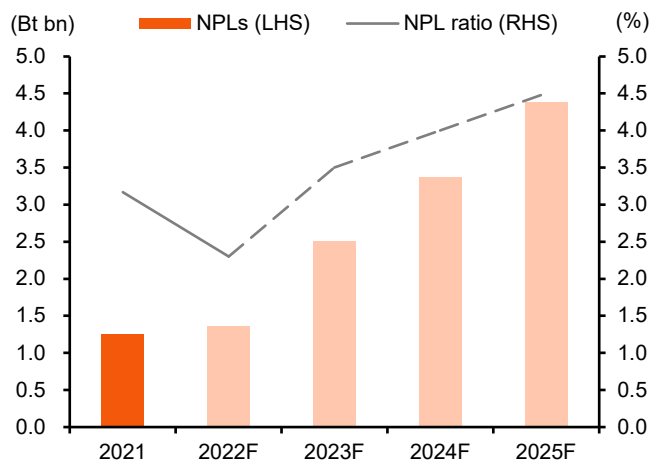
New risk profile factored in

We look for NPL ratio of 4-5% over medium term

A shift in loan mix toward higher-risk motorcycle HP and personal loans to over 30% (from 5% in 2020) would alter SAWAD's balance sheet risk profile in our view.

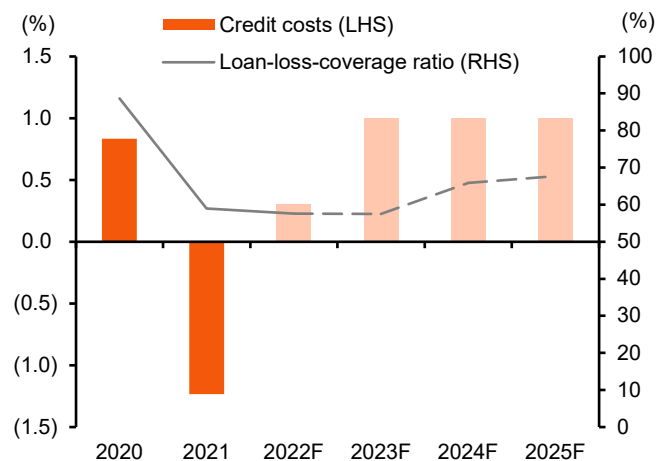
In the robust early growth stage, we don't view this segment's low NPL ratio of 2% as an accurate indicator. We expect NPLs to rise much faster from 2023F. But given SAWAD's very rigid debt-collection track record, we bake in the NPL ratio for the entire group rising from 2.3% this year to 3.5-4.5% in 2023-25F and factor in higher credit costs of 1%.

Ex 8: NPL And NPL Ratio



Sources: Company data, Thanachart estimates

Ex 9: Credit Costs And LLR



Sources: Company data, Thanachart estimates

We already factor in new lower HP rate

Having undergone many rounds of public hearings, we believe the new HP law will be enacted soon. The law will specify ceiling rates of HP loans for cars and motorcycles, both new and used. It will also allow scope for the repossession procedure to be carried out in a way to protect the benefits of borrowers while also being practical in terms of execution for lenders. The major impact of the new HP law will be on the interest charge for new motorcycle HP loans. From over 30% charged currently, it is likely that the capped rate will be below 30%. This is because the BoT mentioned a ceiling rate at the latest public hearing of 26% vs. 30% proposed by Thai Motorcycle Hire Purchase Association. To be conservative, we factor a drop in the new motorcycle HP interest rate to 24% from SAWAD's current charge of c.30% pa. into our numbers.

Bottomed out; BUY

Slashing earnings to reflect fewer synergistic benefits from the JV with GSB

We had earlier anticipated SAWAD's JV with the Government Savings Bank (GSB) to grow motorcycle-title loans via its 49%-held affiliate company, Fast Money (FM), to enjoy good synergistic benefits via growing service fees and lower branch operating costs. However, execution does not look to have been as smooth as had been planned. Muangthai Capital Pcl (MTC TB, HOLD, Bt42.50) has fought back and undercut interest charges at close to the rate being offered by FM. MTC has not only been able to defend its turf but has also gained market share in the title-loan space.

With no major advertisement expenses and improving loan momentum, FM contributed profits in 2Q22. We expect organic contributions from FM but we are cutting our non-interest income assumptions and raise operating expenses to reflect fewer synergistic benefits from the JV. Even though we raise SAWAD's loans and yield to reflect growing contributions of new motorcycle HP loans, we still have to cut SAWAD's earnings by an average of 21% over 2022-24F. Given the net impact of our downward earnings revisions and the roll-over of our valuation base year to 2023F, we cut our DDM-based 12-month TP to Bt65/share from Bt77 previously.

Ex 10: Earnings Revision

	2019	2020	2021	2022F	2023F	2024F
Net profits (Bt bn)						
- New	3.76	4.51	4.72	4.42	5.35	6.40
- Old				5.27	6.75	8.52
- Change (%)				(16.21)	(20.71)	(24.85)
Net loans (Bt bn)						
- New	36.49	38.34	33.32	48.15	58.11	68.41
- Old				40.32	49.23	58.69
- Change (%)				19.41	18.02	16.55
Lending yield (%)						
- New	21.92	21.83	19.13	19.60	20.18	20.75
- Old				19.13	19.36	19.56
- Change (pp)				0.47	0.82	1.18
Cost of funds (%)						
- New	3.45	3.73	3.72	3.53	3.65	3.80
- Old				3.73	3.80	3.80
- Change (pp)				(0.20)	(0.15)	0.00
Non-interest income (Bt bn)						
- New	2.55	2.83	3.15	3.40	3.64	3.89
- Old				3.85	4.58	5.35
- Change (%)				(11.77)	(20.53)	(27.22)
Operating expenses (Bt bn)						
- New	3.53	3.79	3.48	4.50	5.40	6.16
- Old				3.00	3.18	3.37
- Change (%)				50.00	69.81	82.63

Sources: Company data, Thanachart estimates

Ex 10: Earnings Revision (Con't)

	2019	2020	2021	2022F	2023F	2024F
Credit costs (%)						
- New	1.63	0.83	(1.23)	0.30	1.00	1.00
- Old				0.50	0.80	0.90
- Change (pp)				(0.20)	0.20	0.10
NPLs (Bt bn)						
- New	1.43	1.48	1.25	1.36	2.50	3.37
- Old				1.49	1.83	2.23
- Change (%)				(8.43)	36.47	51.34

Sources: Company data, Thanachart estimates

Ex 11: 12-month DDM-based Valuation Using A Base Year Of 2023F

(Bt m)	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal value
Dividend of common shares	2,411	2,676	3,202	3,852	4,423	5,037	6,799	7,506	8,225	9,015	16,474	16,474
Dividend payment	2,411	2,676	3,202	3,852	4,423	5,037	6,799	7,506	8,225	9,015	16,474	176,880
PV of dividend	2,411	2,191	2,340	2,537	2,624	2,691	3,273	3,255	3,086	3,033	4,970	53,366
Risk-free rate (%)	2.5											
Market risk premium (%)	8.0											
Beta	1.1											
WACC (%)	10.5											
Cost of equity	10.5											
Terminal growth (%)	2.0											
Equity value	85,778											
No. of shares (m)	1,325											
Equity value / share (Bt)	65.00											

Source: Thanachart estimates

Despite our hefty earnings cuts, we recommend BUYing SAWAD for the following reasons:

First, SAWAD'S earnings already bottomed out in 1H22. With the spin-off of motorcycle title-loans to the JV, lower loan-related fees and higher incentive and marketing expenses to support motorcycle HP loan growth, 1H22 normalized profits came in very weak, declining 9% y-y.

Second, lending appetite for SAWAD has returned to pre-COVID level and the company is focusing on growing auto- and land-title loans and gaining significant market share of new motorcycle HP loans.

We expect earnings growth to accelerate from 3Q22F

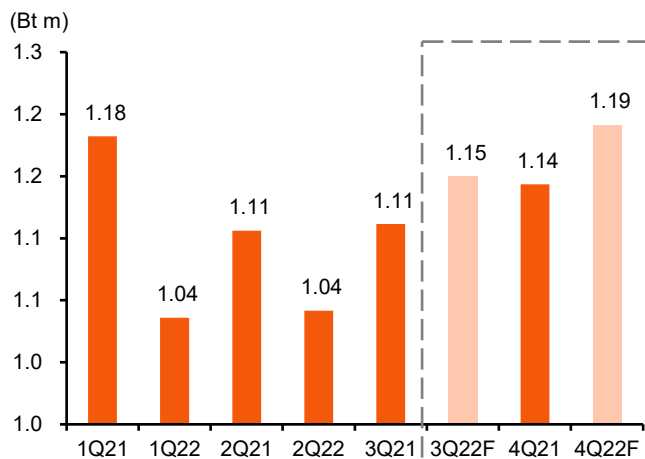
We expect earnings growth to accelerate from 3Q22F on the back of 1) higher revenue recognition from 24% loan growth YTD in 2Q22 while we expect loan growth of 21% in 2023F and 17% in 2024F; 2) higher lending yields and manageable cost of funds; and 3) lower cost-to-income ratio as front-loaded expenses look set to slow while revenues are gaining momentum.

**Limited COVID legacy NPLs
while we already factor
higher balance sheet risk**

Third, thanks to its cautious and stricter loan underwriting during the pandemic and active repossessions, SAWAD has been able to contain NPL risks. With limited legacy COVID-related NPLs, we expect SAWAD to enjoy low credit costs in 1H23F. This is while we already factor higher NPLs from 2H23F and higher credit costs in our model.

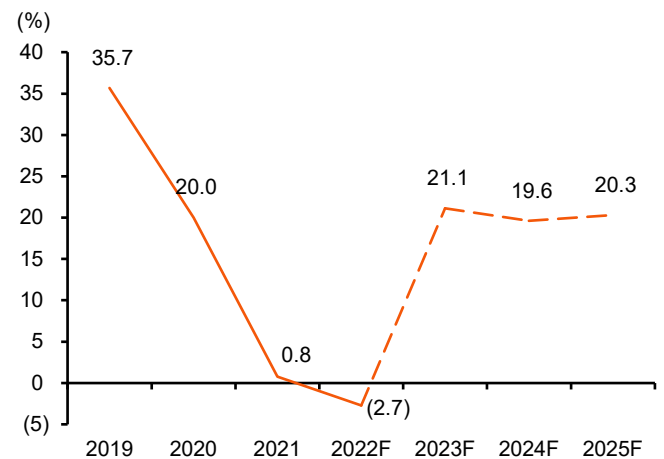
Lastly, SAWAD's valuation looks very cheap to us trading on a 2023F PE multiple of 12x vs. a three-year EPS CAGR of 20%.

Ex 12: Improving Quarterly Earnings



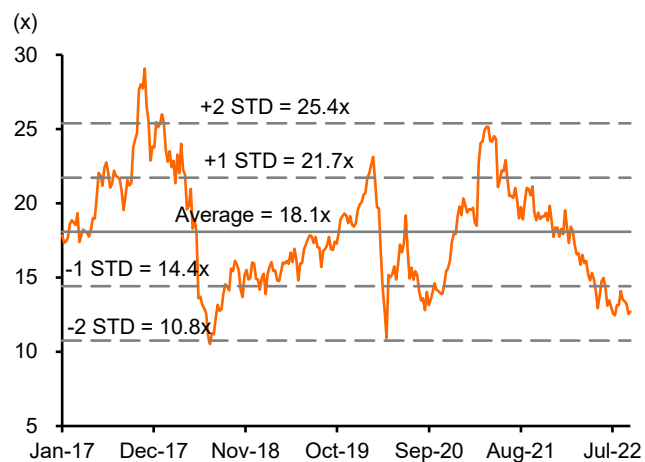
Sources: Company data, Thanachart estimates

Ex 13: Clear Earnings Growth Turnaround



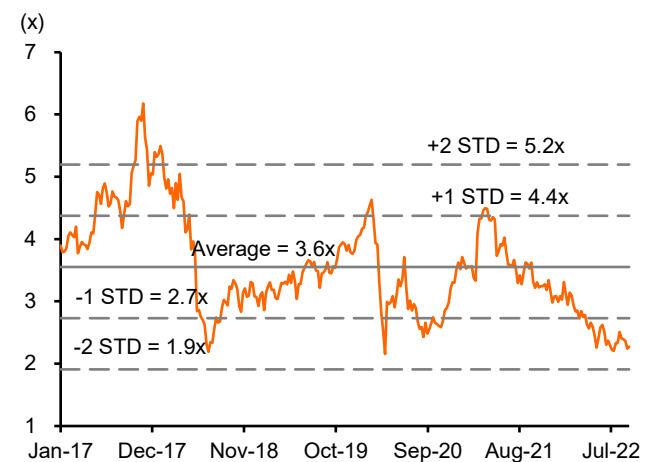
Sources: Company data, Thanachart estimates

Ex 14: PE STD



Sources: Bloomberg, Thanachart estimates

Ex 15: P/BV STD



Sources: Bloomberg, Thanachart estimates

Valuation Comparison

Ex 16: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		ROE		Div. yield	
			22F	23F	22F	23F	22F	23F	22F	23F	22F	23F
Afterpay Ltd	APT AU	Australia	na	na	na	na	na	na	(0.4)	6.6	na	na
Finvolution Group	FINV US	China	354.5	13.5	0.6	0.5	0.1	0.1	20.1	18.6	21.4	33.6
Mahindra & Mahindra Fin Secs	MMFS IN	India	(28.5)	105.1	34.1	16.6	1.8	1.5	5.7	10.2	0.6	1.7
Bajaj Finance Ltd	BAF IN	India	(0.5)	53.9	61.9	40.2	10.1	8.1	17.4	22.3	0.2	0.3
Manappuram Finance Ltd	MGFL IN	India	1.2	5.0	6.6	6.3	1.1	0.9	17.2	15.8	2.8	2.8
GMO Payment Gateway Inc.	3769 JP	Japan	145.2	(39.5)	38.0	62.8	11.1	10.3	29.8	17.1	0.6	0.8
Infomart Corp.	2492 JP	Japan	(35.3)	125.8	278.5	123.3	8.5	8.1	3.2	6.9	0.1	0.4
Ally Financial Inc	ALLY US	US	(14.0)	(5.2)	4.6	4.9	0.8	0.7	16.3	15.3	3.6	3.8
World Acceptance Corp	WRLD US	US	30.8	na	10.2	35.7	1.7	1.9	17.3	7.1	na	na
Navient Corp	NAVI US	US	(19.4)	(12.1)	4.4	5.0	0.7	0.6	17.6	13.5	4.3	4.3
SLM Corp	SLM US	US	(28.2)	6.0	5.9	5.5	2.3	2.2	36.3	39.5	2.9	3.1
Amanah Leasing	AMANAH TB	Thailand	4.3	21.4	14.6	12.0	2.5	2.3	18.2	20.0	3.4	4.2
Asia Sermkij Leasing *	ASK TB	Thailand	15.7	21.1	12.2	10.1	1.9	1.7	16.0	17.8	4.1	5.0
Bangkok Commercial Asset Mgt.	BAM TB	Thailand	25.3	17.6	18.0	15.3	1.3	1.3	7.5	8.6	3.9	4.6
Chayo Group	CHAYO TB	Thailand	77.7	4.5	26.5	25.4	2.9	2.3	13.2	11.0	0.9	1.1
JMT Network Services *	JMT TB	Thailand	24.6	49.6	55.2	36.9	4.8	4.6	9.6	12.6	1.4	2.2
Krungthai Card *	KTC TB	Thailand	7.2	16.0	24.7	21.3	5.1	4.5	22.0	22.3	1.8	2.1
Muangthai Capital *	MTC TB	Thailand	8.6	27.2	16.8	13.2	3.1	2.6	19.8	21.2	1.0	1.2
Saksiam Leasing *	SAK TB	Thailand	36.1	35.5	18.1	13.4	2.8	2.5	16.1	19.5	2.2	3.0
Srisawad Corporation *	SAWAD TB	Thailand	(2.6)	21.0	14.6	12.1	2.5	2.2	17.3	19.2	3.7	4.1
Ratchthani Leasing *	THANI TB	Thailand	14.4	15.2	13.4	11.7	2.1	2.0	16.4	17.6	4.5	5.1
Ngern Tid Lor *	TIDLOR TB	Thailand	15.9	27.4	18.9	14.8	2.8	2.4	15.8	17.6	1.1	1.3
Average			30.1	25.4	32.3	23.2	3.3	3.0	16.0	16.4	3.2	4.2

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

Based on 9 Sep 2022 closing price

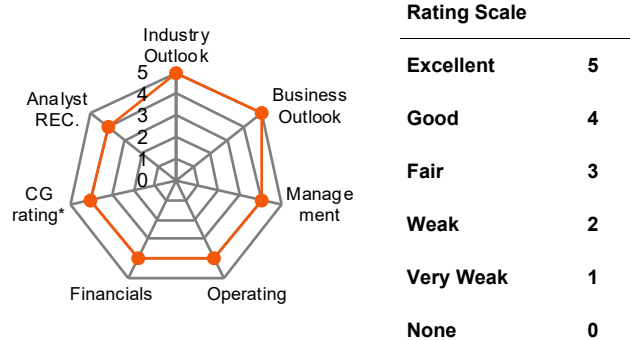
Our major shareholder TCAP (Thanachart Capital Pcl) holds 50.96% of Thanachart Securities. TCAP also holds 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd holds 60% stake in THANI and is the major shareholder of THANI.

COMPANY DESCRIPTION

Srisawad Corporation (SAWAD) is a holding company. Its main subsidiaries are Srisawad Finance (BFIT) and Srisawad 2014. The group provides titled loans, motorcycle hire purchase (HP), personal secured loans and other related financial products. SAWAD offers its products and services to retail clients via its branches nationwide. SAWAD is also undertaking a JV with the Government Savings bank (GSB), called Fast Money, to provide cheap interest rate motorcycle- and car-title loans throughout SAWAD and GSB's branches.

Source: Thanachart

COMPANY RATING



Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Well-recognized brand.
- Expertise and considerable experience in running its business.
- Extensive branch coverage.
- Economies of scale.

O — Opportunity

- Increasing cross-selling fees.
- Expansion into neighboring countries.

W — Weakness

- Reliant on external funding.

T — Threat

- Changes in regulations.
- Increasing penetration by commercial banks.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	59.25	65.00	10%
Net profit 22F (Bt m)	4,450	4,423	-1%
Net profit 23F (Bt m)	5,282	5,353	1%
Consensus REC	BUY: 12	HOLD: 7	SELL: 1

HOW ARE WE DIFFERENT FROM THE STREET?

- We share the Bloomberg consensus view on SAWAD's earnings for 2022-23F.
- Our TP is higher, which we attribute to our expectation for SAWAD to generate stronger earnings over the medium to longer term.

Sources: Bloomberg consensus, Thanachart estimates

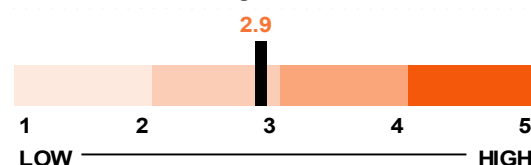
RISKS TO OUR INVESTMENT CASE

- Our earnings growth forecasts are based on resumption of strong loans growth, manageable opex and asset quality.
- Should there be any circumstances negatively affecting the key drivers we mentioned above, this would lead to downside risks to our numbers.

Source: Thanachart

SAWAD is the third-largest microfinance play in Thailand, with loans outstanding of over Bt40bn. With 5,000 branches and over 7,000 employees, SAWAD does impact the environment via greenhouse gas (GHG) emissions and waste generation. We assign an ESG score of 2.88 for SAWAD.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
SAWAD	-	-	-	BBB	48.95	10.54	13.46	-	4.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "term of use" in the following back page.

Factors	Our Comments
ENVIRONMENT - Environmental Policies & Guidelines - Energy Management - Carbon Management - Water Management - Waste Management	- SAWAD is committed to environmental protection and pollution prevention by utilizing resources and energy efficiently and maximizing the benefits from consumption, control of waste quantity, and re-use. SAWAD organized a Big Cleaning Day activity almost every year to manage resources, clean up, reduce consumable supply and dispose of inappropriate materials. - SAWAD sets guidelines for saving electricity and water for all departments. In addition, the company uses electrical equipment with power-saving features, especially light bulbs, air conditioners and electrical equipment in its office building. - The company has introduced digital marketing technology to facilitate customers and to reduce the consumption of resources such as paper, and cut energy use from paper copying or the destruction of documents. - SAWAD has set a target to reduce the total amount of GHG by 5% in 2023.
SOCIAL - Human Rights - Staff Management - Health & Safety - Product Safety & Quality - Social Responsibility	- SAWAD has established a human rights policy to ensure that the company operates in accordance with important legal principles and international standards. - The company conducts Human Rights Due Diligence (HRDD) to assess human rights risks and impacts throughout the value chain. - SAWAD is committed to responsible lending. It also offers low interest rate loans to support local businesses while it backs community activities. - SAWAD provides the "Leadership Development Program" to enhance employees' capability to be promoted. - Women comprise 60% of total employees while it has 100 staff who are specially abled.
GOVERNANCE & SUSTAINABILITY - Board - Ethics & Transparency - Business Sustainability - Risk Management - Innovation	- SAWAD has a 13-member board of directors (BOD), each with a tenure of three years. Four of them are from the management while nine are not members of management. - The chairman of the BOD is appointed by the board. The chairman is not the same person as the chairman of the Executive Committee or the managing director. - The Risk Management Committee has six members, all of whom are members of the Audit Committee, independent directors or members of the Executive Committee. - The company has established an ESG Committee comprising of three independent directors to support the BOD's ongoing commitment to ESG.

Source: Thanachart

INCOME STATEMENT

Clear earnings
turnaround

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Interest Income	8,166	6,855	8,015	10,745	13,045
Interest Expenses	903	791	813	1,138	1,394
Net Interest Income	7,263	6,065	7,202	9,607	11,651
% of total income	72.0%	65.8%	67.9%	72.5%	75.0%
Fee income	1,315	1,516	0	0	0
Bad debt recovery	81	49	0	0	0
Other interest income	667	667	0	0	0
Others	762	920	0	0	0
Non-interest Income	2,827	3,152	3,400	3,638	3,893
% of total income	28.0%	34.2%	32.1%	27.5%	25.0%
Total Income	10,090	9,217	10,602	13,245	15,544
Operating Expenses	3,787	3,476	4,500	5,400	6,156
Pre-provisioning Profit	6,304	5,741	6,102	7,845	9,388
Bad debt expenses	321	(455)	148	654	778
Pre-tax Profit	5,983	6,196	5,954	7,191	8,610
Income Tax	1,192	1,308	1,191	1,438	1,722
After Tax Profit	4,791	4,888	4,763	5,753	6,888
Equity Income	0	(29)	40	60	66
Minority Interest	(283)	(316)	(380)	(460)	(551)
Extraordinary Items	0	179	0	0	0
NET PROFIT	4,508	4,722	4,423	5,353	6,403
Normalized Profit	4,508	4,543	4,423	5,353	6,403
EPS (Bt)	3.4	3.6	3.3	4.0	4.8
Normalized EPS (Bt)	3.4	3.4	3.3	4.0	4.8

BALANCE SHEET

Resumption of loans
growth

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Cash and Interbank	1,838	2,689	1,500	1,500	1,500
Other liquid items	5,194	4,004	3,801	3,811	3,821
Total liquid items	7,032	6,692	5,301	5,311	5,321
Gross loans & accr. interest	39,656	34,054	49,257	59,441	69,978
Provisions	1,312	736	785	1,439	2,217
Net loans	38,344	33,318	48,472	58,002	67,760
Fixed assets	1,306	1,334	1,226	1,173	1,095
Right of use	1,497	1,113	1,116	1,108	1,090
Other assets	3,828	7,509	8,037	8,548	8,461
Total assets	52,007	49,967	64,152	74,142	83,728
Short term borrow ing	200	500	8,000	9,200	10,580
Due to related party	5,240	176	0	0	0
Other current liabilities	545	509	446	443	436
Long term borrow ing	5,059	8,593	6,417	7,947	8,668
Total borrowings	14,996	9,414	14,724	17,525	20,880
Other L-T liabilities	283	326	376	426	476
Minority interest	14,996	9,414	14,724	17,525	20,880
Shareholders' equity	22,085	24,698	26,355	29,310	33,043
Total Liab. & Equity	52,007	49,967	64,148	74,145	83,727

Sources: Company data, Thanachart estimates

VALUATION

Very cheap on our
forecast

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	14.3	14.2	14.6	12.1	10.1
Normalized PE - at target price (x)	19.1	19.0	19.5	16.1	13.5
PE (x)	14.3	13.7	14.6	12.1	10.1
PE - at target price (x)	19.1	18.2	19.5	16.1	13.5
P/PPP (x)	10.2	11.3	10.6	8.2	6.9
P/PPP - at target price (x)	13.7	15.0	14.1	11.0	9.2
P/BV (x)	2.9	2.6	2.5	2.2	2.0
P/BV - at target price (x)	3.9	3.5	3.3	2.9	2.6
Dividend yield (%)	3.7	3.7	3.7	4.1	5.0
Normalized EPS	3.4	3.4	3.3	4.0	4.8
EPS	3.4	3.6	3.3	4.0	4.8
DPS	1.8	1.8	1.8	2.0	2.4
PPP/Share	4.8	4.3	4.6	5.9	7.1
BV/share	16.7	18.6	19.9	22.1	24.9
P/BV to ROE	13.1	13.5	14.1	11.5	9.5

FINANCIAL RATIOS

Lower motorcycle HP
interest rate factored in

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate (%)					
Net interest income (NII)	13.3	(16.5)	18.8	33.4	21.3
Non-interest income (Non-II)	10.7	11.5	7.9	7.0	7.0
Operating expenses	7.2	(8.2)	29.5	20.0	14.0
Pre-provisioning profit (PPP)	16.0	(8.9)	6.3	28.6	19.7
Net profit	20.0	4.7	(6.3)	21.0	19.6
Normalized profit growth	20.0	0.8	(2.6)	21.0	19.6
EPS	18.7	4.7	(6.3)	21.0	19.6
Normalized EPS	18.7	0.8	(2.6)	21.0	19.6
Dividend payout ratio	52.9	50.5	54.5	50.0	50.0
Loan - gross	3.1	(11.7)	50.3	20.7	17.7
Loan - net	5.1	(13.1)	45.5	19.7	16.8
Borrowings	2.7	(26.5)	57.8	19.5	16.1
NPLs	3.6	(15.6)	9.2	83.6	34.5
Total assets	14.4	(3.9)	28.4	15.6	12.9
Total equity	20.1	11.8	6.7	11.2	12.7
Operating Ratios (%)					
Net interest margin (NIM)	14.9	11.9	12.6	13.9	14.8
Net interest spread	18.1	15.4	16.1	16.5	16.9
Yield on earnings assets	19.9	17.0	18.4	19.3	19.8
Avg cost of fund	3.7	3.7	3.5	3.7	3.8
NII / operating income	72.0	65.8	67.9	72.5	75.0
Non-II / operating income	28.0	34.2	32.1	27.5	25.0
Fee income / operating income	13.0	16.4	0.0	0.0	0.0
Normalized net margin	44.7	49.3	41.7	40.4	41.2
Bad Debt Recovery	7.6	10.0	0.0	0.0	0.0
Cost-to-income	37.5	37.7	42.4	40.8	39.6
Credit cost - provision exp / loans	0.8	(1.2)	0.3	1.0	1.0
PPP / total assets	12.9	11.3	10.7	11.3	11.9
PPP / total equity	31.1	24.5	23.9	28.2	30.1
Avg assets/avg equity (leverage)	2.4	2.2	2.2	2.5	2.5
ROA	9.3	8.9	7.8	7.7	8.1
ROE	22.3	19.4	17.3	19.2	20.5

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Liquidity and Quality Ratio (%)					
Gross Loan / Borrow ings	1,425.5	4,123.0	493.8	510.8	515.2
Net Loan / Borrow ings	1,224.8	3,485.2	403.9	414.3	414.7
Net Loan / Assets	73.7	66.7	75.6	78.2	80.9
Net Loan / Equity	173.6	134.9	183.9	197.9	205.1
S-T / L-T Borrow ings	6.4	52.3	66.7	65.7	64.7
Borrow ings / Liabilities	11.2	4.2	34.2	33.6	34.8
Interest-bearing Debt / Equity	110.9	72.9	107.8	115.8	119.3
Liabilities / Equity	126.5	93.1	133.3	142.3	142.3
Equity to Gross Loan	49.5	62.7	44.5	41.0	39.3
NPLs	1,479.9	1,248.6	1,362.9	2,502.8	3,367.4
NPLs / Total Loans (NPL Ratio)	3.3	3.2	2.3	3.5	4.0
Loan-Loss-Coverage (Provision / NPLs)	88.7	58.9	57.6	57.5	65.8

Sources: Company data, Thanachart estimates

*Rising NPLs due to shift
of mix to high-yield
motorcycle HP loans*

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SET has created a Thailand Sustainability Investment (THSI) list since 2015 for using as an alternative investment in the high performance ESG stocks for investors while, supporting the sustainable Thai companies. SET defines the sustainable companies as the companies that embrace risk management, supply chain management and innovations together with responsibility for environmental, social and governance aspects

As a result, SET has created the SETTHSI for the purpose of indicating the price of these sustainable companies that pass the market capital size and liquidity criteria.

Arabesque S-Ray®

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Score range	Description
CCC - B	LAGGARD: A company lagging its industry based on its high exposure and failure to manage significant ESG risks
BB - BBB - A	AVERAGE : A company with a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers
AA - AAA	LEADER: A company leading its industry in managing the most significant ESG risks and opportunities

The Dow Jones Sustainability Indices (DJSI)

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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