

Ratchthani Leasing Pcl (THANI TB) - BUY, Price Bt4.28, TP Bt5.50**Results Comment**

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Slightly below expectation

- THANI's 3Q22 profits of Bt453m, up 13% y-y but down 8% q-q, came in slightly below expectation due to higher provisions.
- NPLs were under good control, dipped slight q-q to 2.3% of total loans from 2.4% in 2Q22. So, we suspect a rise of profits by 71% q-q was to keep loan loss coverage ratio as high as in 2Q22. While credit costs of 0.5% in 2Q22 might be abnormally low in our view.
- 9M22 profits were 72% of our full-year forecast. We see marginal downsides to our number. With THANI's strong asset quality and growing loans, we re-iterate BUY.
- Loans grew 8% y-y and 2% q-q. Slower growth q-q was on seasonality factor.
- Loan yield improved with manageable cost of fund so NIM expanded slightly to stay over 5% in this quarter.
- Opex rose 40% y-y and 9% q-q on increasing expenses related to liquidation process to beef up asset quality.

Income Statement						Income Statement					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest income	923	821	843	867	896	Interest & dividend income	3	(3)	74	3,507	4,023
Interest expense	231	225	220	224	230	Interest expense	3	(0)	75	901	1,077
Net interest income	692	596	624	644	665	Net interest income	3	(4)	74	2,606	2,946
Non-interest income	177	240	239	232	234	Non-interest income	1	32	75	945	1,092
Total income	870	835	863	876	900	Total income	3	3	74	3,551	4,039
Operating expense	151	156	169	194	211	Operating expense	9	40	75	762	838
Pre-provisioning profit	719	680	694	682	689	Pre-provisioning profit	1	(4)	74	2,789	3,201
Provision for bad&doubtful debt	231	109	126	71	122	Provision for bad&doubtful debt	71	(47)	93	344	385
Profit before tax	488	571	568	611	567	Profit before tax	(7)	16	71	2,445	2,815
Tax	87	117	113	119	114	Tax	(4)	32	71	489	563
Profit after tax	401	454	455	492	453	Profit after tax	(8)	13	72	1,956	2,252
Equity income	-	-	-	-	-	Equity income	neg	neg	-	-	-
Minority interests	(0)	0	(0)	(0)	(0)	Minority interests	neg	neg	-	-	-
Extra items	-	-	-	-	-	Extra items	neg	neg	-	-	-
Net profit	401	454	455	492	453	Net profit	(8)	13	72	1,956	2,252
Normalized profit	401	454	455	492	453	Normalized profit	(8)	13	72	1,956	2,252
PPP/share (Bt)	0.1	0.1	0.1	0.1	0.1	PPP/share (Bt)	1	(4)	74	0.5	0.6
EPS (Bt)	0.1	0.1	0.1	0.1	0.1	EPS (Bt)	(8)	13	72	0.3	0.4
Norm EPS (Bt)	0.1	0.1	0.1	0.1	0.1	Norm EPS (Bt)	(8)	13	72	0.3	0.4
BV/share (Bt)	2.0	2.0	2.1	2.0	2.1	BV/share (Bt)	4	8	2	2.2	2.3

Balance Sheet						Financial Ratios					
(consolidated)						9M as					
Yr-end Dec (Bt m)	3Q21	4Q21	1Q22	2Q22	3Q22	(%)	3Q21	4Q21	1Q22	2Q22	3Q22
Cash and cash equivalent	829	476	631	558	1,122	Gross loan growth (YTD)	2.0	2.8	2.7	6.1	7.9
Other current assets	192	182	220	265	264	Gross loan growth (q-q)	(0.2)	0.8	2.7	3.4	1.7
Total current assets	1,021	658	851	823	1,386	Borrowing growth (YTD)	(6.3)	(7.2)	1.7	14.3	19.7
Gross loans and accrued interest	49,099	49,396	50,635	52,250	53,073	Borrowing growth (q-q)	(9.1)	(0.0)	0.0	12.4	4.7
Provisions	1,482	1,485	1,533	1,459	1,444	Non-interest income (y-y)	(0.5)	28.7	26.5	22.1	32.3
Net loans	47,617	47,911	49,102	50,791	51,629	Non-interest income (q-q)	(6.9)	35.3	(0.1)	(2.9)	0.8
Fixed assets	165	165	163	163	244	Cost-to-income	17.3	18.6	19.6	22.1	23.4
Other assets	482	489	501	540	563	Net interest margin	5.60	4.84	5.00	5.00	5.01
Total assets	49,285	49,223	50,617	52,317	53,822	Credit cost	1.70	0.79	0.89	0.49	0.83
Short term borrowing	9,720	9,403	8,211	10,712	11,324	ROE	14.7	16.0	15.4	16.7	15.4
Current portion of LT loans	4,624	5,809	5,784	5,584	3,886	ROA	3.2	3.7	3.6	3.8	3.4
Other current liabilities	3,741	3,567	3,923	1,792	1,011	Loan-to-borrowing	158	161	162	149	145
Total current liabilities	18,085	18,778	17,918	18,089	16,221	Loan-to-total equity	489	474	468	503	492
Borrowings	2,044	2,045	2,045	2,046	2,147	NPLs (Bt m)	2,109	1,863	1,514	1,244	1,238
Other liabilities	18,045	16,834	18,632	20,631	23,450	NPL increase	395	(246)	(349)	(270)	(6)
Minority interest	0	0	0	0	0	NPL ratio	4.3	3.8	3.0	2.4	2.3
Shareholders' equity	11,111	11,567	12,022	11,551	12,004	Loan-loss-coverage ratio	70	80	101	117	117
Total Liabilities & Equity	49,285	49,223	50,617	52,317	53,822						

Sources: Company data, Thanachart estimates

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 89.96% 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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