

Srisawad Corporation Pcl (SAWAD TB) - BUY

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Analyst Meeting**Expecting stronger 2H23 profits**

- **Soft 2Q23 profits were due mainly to one-off provisions.**
- **Manageable with more selective lending of HP loans.**
- **The consolidation of FM is net positive in our view.**
- **With stronger 2H23 profits, we maintain BUY.**

We came away from SAWAD's analyst meeting with positive view toward the company unchanged. We still look for stronger profits in 2H23 and solid good story going to next year. We only need to fine-tune our forecast to reflect one-off provisioning expenses. We still like SAWAD and re-iterate BUY to a Bt65 TP.

- SAWAD's softer-than-expected profits in 2Q23 was due to extra provisions of around Bt200m. These are one-off expenses to clean up legacy bad loans in Vietnam, non-performing unsecured purchased debts and management overlay provisions.
- Credit costs were close to 2.7% in 2Q23 vs 1.3% in 1Q23. SAWAD expects rising NPL ratio from 2.6% in 1H23 to <3% by year end and over 3% from 2024. Excluding one-offs, credit costs could have been 1.64% in the quarter.
- Given SCAP is being more selective, and it is requiring down payments from 10-30%, repossessed losses, (mainly from motorcycle HP loans) that has risen from Bt94m in 1Q23 to Bt206m in 2Q23, could be plateauing in 2H23 and come down from 2024. In addition, SCAP is lowering incentives to dealers and salespersons starting from 2Q23.
- Last but not least, we see SAWAD's consolidation of Fast Money (FM)'s motorcycle for cash portfolio to be net positive and boost 2H23 profits further. FM's portfolio made up 18% of SAWAD's in 2Q23.
- SAWAD starts raising lending yield of FM from 15% to 18% from July this year. New loan book is around Bt2bn per month with average loan duration of 12 months. FM also has credit line of Bt20bn with Government Savings bank of which borrowing outstanding stood at Bt13bn in 2Q23. This is fixed-rate 3-year loans at average funding costs of 2%. FM's NPL ratio is also in-line with SAWAD's at around 2.7%

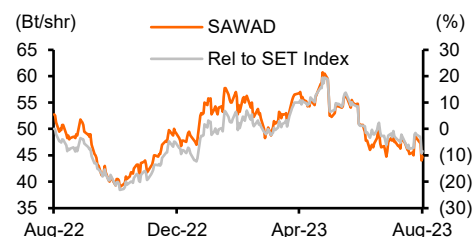
Key valuation

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Pre Provision Profit	5,787	8,634	11,291	13,086
Net profit	4,476	5,418	6,944	8,078
Norm profit	4,292	5,418	6,944	8,078
Norm EPS (Bt)	3.2	4.1	5.2	6.1
Norm EPS grw (%)	(5.5)	26.2	28.2	16.3
Norm PE (x)	13.8	10.9	8.5	7.3
P/BV (x)	2.3	2.1	1.8	1.6
Div yield (%)	4.0	4.6	5.9	6.8
ROE (%)	17.0	20.1	22.8	23.2
ROA (%)	7.2	5.8	5.5	5.7

Source: Thanachart estimates

Stock Data

Closing price (Bt)	44.75
Target price (Bt)	68.00
Market cap (US\$ m)	1,733
Avg daily turnover (US\$ m)	13.75
12M H/L price (Bt)	60.75/39.00

Price Performance

Source: Bloomberg

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