

25 NOVEMBER 2020

THAILAND / DIVERSIFIED FINANCIALS

SRISAWAD CORP SAWAD TB

BUY

UNCHANGED

TARGET PRICE	THB72.00
CLOSE	THB54.50
UP/DOWNSIDE	+32.1%
PRIOR TP	THB68.00
CHANGE IN TP	+5.9%
TP vs CONSENSUS	+21.1%

อัตราการเติบโตดีขึ้น

ได้ประโยชน์ร่วมกันในการเป็น partner ทั้งธนาคารออมสินและ SAWAD

ธนาคารออมสินประกาศซื้อหุ้นสัดส่วนสูงสุด 49% ใน Fast Money (FM, not listed) ซึ่งเป็นบริษัทย่อยของ SAWAD การถือหุ้นใน FM จะทำให้ธนาคารออมสินสามารถเจาะตลาดสินเชื่อทะเบียนรถได้ในทันที โดยธนาคารออมสินต้องการลดผลตอบแทนของสินเชื่อจากค่าเฉลี่ยในตลาดที่ 24% ให้เข้าสู่ระดับที่สมเหตุสมผลมากยิ่งขึ้น โดยจะอยู่ที่ต่ำกว่า 18% ในด้าน SAWAD เราคาดว่าจะได้ประโยชน์จากการเป็นพันธมิตรกับธนาคารออมสินประกอบด้วย: 1) สามารถขยายฐานลูกค้าเข้าสู่ตลาดใหม่ เช่น ลูกค้า 3 ล้านรายที่ใช้บริการทางการเงินของธนาคารออมสิน; 2) การเป็นพันธมิตรกับธนาคารออมสินอาจช่วย SAWAD ป้องกันคู่แข่งและขยายธุรกิจของบริษัทฯ; และ 3) การขยายพอร์ตสินเชื่อจะช่วยลดความเสี่ยงในด้านกฎระเบียบจากเพดานอัตราดอกเบี้ย

ปริมาณสินเชื่อที่เพิ่มขึ้นและรายได้ค่าธรรมเนียมจะช่วยชดเชยอัตรากำไรที่ลดลง

แม้ว่าผลตอบแทนจากสินเชื่อของ SAWAD จะลดลงจากอัตราดอกเบี้ยของ JV ที่ตั้งไว้สูงสุดที่ 18% ปริมาณสินเชื่อที่เพิ่มอย่างมีนัยสำคัญจะชดเชยปัจจัยดังกล่าวได้เต็มจำนวน การเข้าหุ้นกับธนาคารออมสิน จะทำให้ SAWAD สามารถขยายสินเชื่อทะเบียนรถมอเตอร์ไซด์ ซึ่งเป็นตลาดที่บริษัทฯ มีประสบการณ์น้อยที่สุด ยิ่งกว่านั้น เราคาดว่ารายได้ค่าธรรมเนียมของ SAWAD จะเพิ่มอย่างมีนัยสำคัญเนื่องจาก 1) บริษัทฯ จะคิดค่าธรรมเนียมบริการสินเชื่อ กล่าวคือ ค่าธรรมเนียมการกู้ยืมและค่าติดตามหนี้จาก JV; และ 2) บริษัทฯ อาจขยายผลิตภัณฑ์ประกันภัยอื่นเพิ่มเติมได้มากยิ่งขึ้น เราเชื่อว่าประโยชน์จากรายได้ค่าธรรมเนียมและค่าเสียหายในการขายประกันที่สูงขึ้นจะมากกว่าปริมาณสินเชื่อที่สูงขึ้น

ต้องใช้เวลาน้อย 1-2 ปีก่อนได้ส่วนแบ่งตลาดที่มีนัยสำคัญ

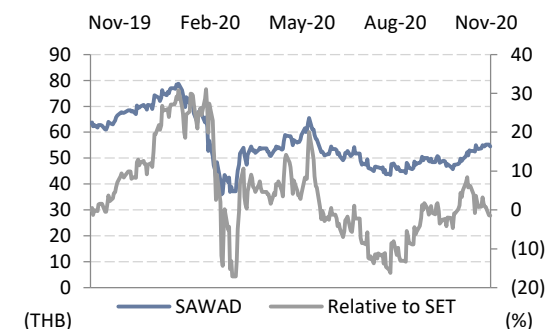
ในช่วง 2 ปีแรก เราเชื่อว่าการเข้าหุ้นดังกล่าวจะไม่ก่อให้เกิด Upside ที่มีนัยสำคัญต่อการดำเนินงานของ SAWAD เนื่องจากผู้ใช้สินเชื่อทะเบียนรถเป็นผู้มีรายได้น้อย ซึ่งไม่ได้ให้ความสำคัญกับอัตราดอกเบี้ยมากนัก นอกจากนี้ เราเชื่อว่ายังมีโอกาสอีกมากที่ผู้ให้บริการสินเชื่อทุกรายจะขยายธุรกิจ เนื่องจากตลาดสินเชื่อทะเบียนรถมอเตอร์ไซด์มีขนาดค่อนข้างใหญ่ ทำให้เราคาดว่า JV จะต้องใช้เวลานานขึ้นในการหาส่วนแบ่งตลาดที่มีนัยสำคัญ

คงคำแนะนำซื้อหลังปรับราคาเป้าหมายเป็น 72 บาท

เราปรับเพิ่มประมาณการกำไรจากการดำเนินงานของเราในปี 2020-2022 ขึ้น 1.4%/1.8%/2.2% เพื่อสะท้อนประโยชน์ที่คาดว่าจะได้จากการเป็นหุ้นส่วนกับธนาคารออมสิน นอกจากนี้เราปรับเพิ่มราคาเป้าหมายของเราเป็น 72 บาทจาก 68 บาท (GGM) เราคงคำแนะนำซื้อ SAWAD เนื่องจาก 1) ประมาณการตัวเลขการเติบโตที่น่าสนใจของบริษัทฯ; 2) Valuation ของบริษัทฯ ที่อยู่ในระดับต่ำ โดย SAWAD มีการซื้อขายที่ระดับ -1 STD ต่ำกว่าค่า P/B เฉลี่ย 5 ปีย้อนหลัง; and 3) การเข้าหุ้นกับธนาคารออมสิน ควรช่วย SAWAD ป้องกันคู่แข่งและให้ Upside ที่มากขึ้นในระยะยาว

KEY STOCK DATA

YE Dec (THB m)	2019	2020E	2021E	2022E
Operating profit	4,878	5,941	6,926	8,473
Net profit	3,756	4,379	5,459	6,539
EPS (THB)	2.90	3.30	4.12	4.93
vs Consensus (%)	-	6.0	19.0	21.1
Core net profit	3,756	4,379	5,301	6,539
Core EPS (THB)	2.83	3.30	4.00	4.93
Chg. In EPS est. (%)	-	1.4	1.8	2.2
EPS growth (%)	17.5	16.6	21.0	23.4
Core P/E (x)	19.2	16.5	13.6	11.0
Dividend yield (%)	2.6	0.3	0.4	0.5
Price/book (x)	3.8	3.2	2.6	2.1
ROE (%)	24.8	21.5	21.2	21.3
ROA (%)	9.3	9.7	9.8	10.1



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	14.7	23.9	(15.5)
Relative to country (%)	(0.7)	16.4	(3.7)
Mkt cap (USD m)	2,465		
3m avg. daily turnover (USD m)	21.5		
Free float (%)	67		
Major shareholder	Kaewbootta Family (33%)		
12m high/low (THB)	81.00/36.00		
Issued shares (m)	1,373		

Sources: Bloomberg consensus; FSSIA estimates



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PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 25 พฤศจิกายน 2020

Investment thesis

SAWAD has a solid market position as the second-largest lender in the title loan market. We expect the company's market position to remain relatively strong over the next few years, as the company plans to continuously expand its loan portfolio by opening approximately 300 new branches per year.

Additionally, we expect its profitability margin to improve owing to its new insurance brokerage business, which will allow SAWAD to further utilise its network and staff more effectively.

Therefore, we have little doubt SAWAD can deliver strong performance in the near future.

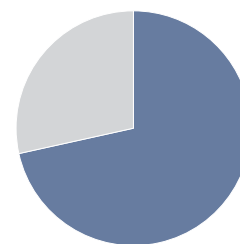
Company profile

SAWAD provides loan services to retail customers under the brand "Srisawad Ngern Sod Tun Jai". Its business operations can be classified into four main categories: 1) secured loans against all types of used vehicles, homes, and land; 2) unsecured personal loans; 3) asset management; and 4) debt collection services.

www.meebaanmeerod.com

Principal activities (revenue, 2019)

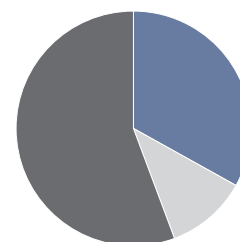
- Net interest income - 71.5 %
- Non-interest income - 28.5 %



Source: Srisawad Corp

Major shareholders

- Kaewbootta Family - 33.1 %
- Thai NVDR - 11.2 %
- Others - 55.7 %



Source: Srisawad Corp

Catalyst

Potential share price catalysts for SAWAD include:

- Lower credit cost due to the effective management of its non-performing loans (NPLs);
- Stronger credit demand;
- The success of its new stock brokerage business.

Risk to our call

Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand.

Event calendar

Date	Event
23 Dec 2020	MPC meeting
3 rd week of Jan 2021	Thai banks' 4Q20/2020 results announcements
End Feb 2021	GDP 4Q20/2020 announcement

Key assumptions

Year to Dec	2020E	2021E	2022E
	(%)	(%)	(%)
Net profit (THB m)	4,379	5,459	6,539
Net profit growth	16.6	24.7	19.8
NIM	18.29	17.71	17.56
Loan growth	11.0	30.0	17.0
Fee growth	25.0	21.0	14.0
Non-NII growth	20.0	17.6	12.3
Credit cost (bp)	66	110	110
Cost-to-income	39.6	38.1	36.3

* Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

		2021E		
		28.0	30.0	32.0
Loan growth	±2ppt			
% change in net profit		(1.2)	-	1.2
NIM (%)	±5bp	17.66	17.71	17.76
% change in net profit		(0.4)	-	0.4
Credit cost (bp)	±10bp	100.0	110.0	120.0
% change in net profit		0.4	-	(0.4)

Source: FSSIA estimates

Mutually beneficial partnership for GSB and SAWAD

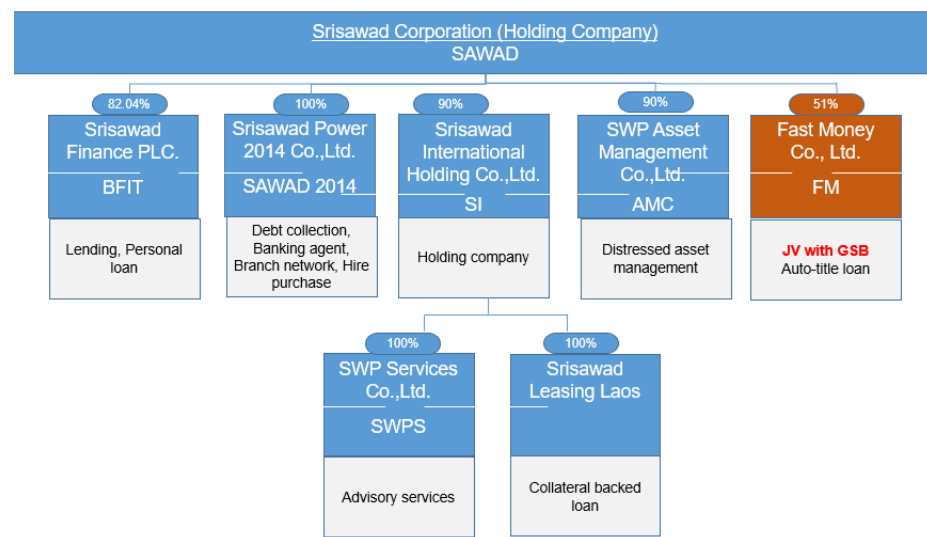
GSB: more social banking for Thai people

GSB has no experience in the auto title loan business. Thus, partnering with FM will allow GSB to penetrate the auto title loan industry instantly. GSB's aim is to reduce its yield on loans from the 24% market average to a more reasonable rate of below 18%. GSB and SAWAD intend to provide auto title loans in Mar-21, with their first priority being motorcycle title loans, followed by car title loans for clients with low risk profiles.

According to SAWAD, the average ticket size for its motorcycle and car title loans would be THB10k and THB100k, respectively. The maximum lending per ticket size will not exceed THB200k. The potential loan-to-value would be 50% of each collateral value.

The 2021 targeted loan volume for the JV is THB20b. Note that FM has THB6b in its own existing portfolio. The significant increase in the loan amount would come from both untapped customers and refinancing other operator's customers. According to SAWAD's management, the JV is willing to offer a lower rate than 18% in order to attract other operator's clients.

Exhibit 1: SAWAD's expected organisational structure after partnering with GSB



Source: FSSIA's expectation

SAWAD: acquiring a larger customer base and warding off its competitors

We think SAWAD would benefit from partnering with GSB, as 1) this deal would allow SAWAD to expand its customer base into a new under-penetrated segment, such as GSB's 3 million financial service customers; 2) it could help SAWAD ward off its competitors and expand its business; and 3) expanding its credit portfolio would help minimise the downside regulatory risk from the interest rate ceiling limit.

Lower margin offset by higher loan volume and fee income

Although SAWAD's yield on loans would be dragged down by the JV's 18% capped rate, the significant increase in loan volume would completely offset this. Partnering with GSB would allow SAWAD to expand to motorcycle title loans – the segment of its portfolio it has the least experience with. More importantly, we expect SAWAD's fee income to increase substantially, as 1) it will charge loan servicing fees, i.e. loan origination fees and debt collection fees from the JV; and 2) it could increasingly cross-sell its insurance products. We believe the benefit from the higher fee income and insurance commissions would outweigh the loan volume increase.

Exhibit 2: SAWAD's loan mix and yield

	----- Current as of 3Q20 -----			----- Expected in 2021 -----		
	--- Outstanding loans ---		Est. yield	--- Outstanding loans ---		Est. yield
	(THB m)	(%)	(%)	(THB m)	(%)	(%)
Motorcycle	5,884	15	24	13,500	25	16.5
Car	19,613	50	24	24,217	45	24
Land	11,768	30	30	15,068	28	30
Others	1,961	5	32	1,030	2	32
Total	39,226	100	26	53,816	100	24

Sources: SAWAD; FSSIA's estimates

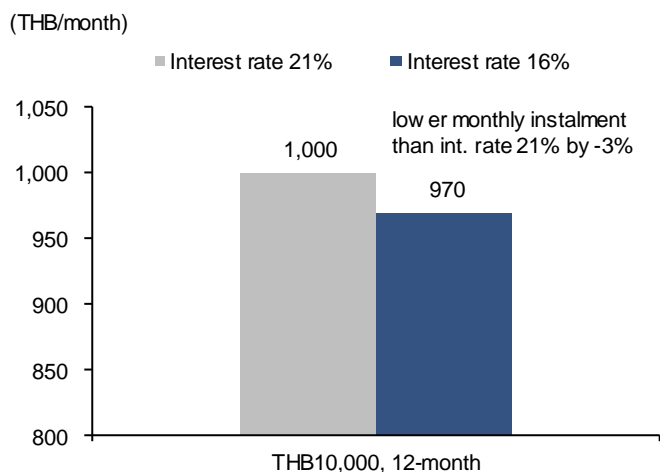
We expect the JV's outstanding loans in 2021-22 to be at THB13.5b and THB16b, respectively. Assuming this holds true, we expect the loan mix for SAWAD would change to: motorcycles 25%, cars 45%, land 28% and others 2% in 2021, from motorcycles 15%, cars 50%, land 30% and others 5% as of 3Q20.

At least one to two years to gain a meaningful market share

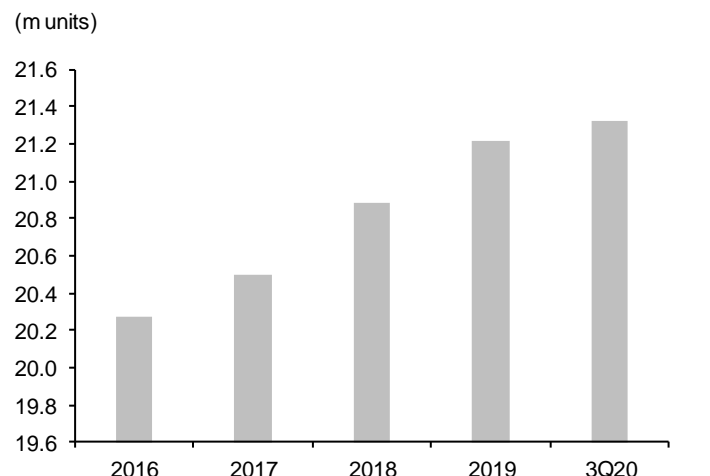
In the first two years, we believe this deal would not provide a significant upside to SAWAD's operation, as the low-income auto title loan industry is not that price sensitive. Consequently, we expect the JV to take a longer time to gain a meaningful market share.

We have found that there would only be a minor difference between the monthly instalments for a 21% interest rate charge for motorcycle title loans vs an interest rate charge of 16%. For example, the monthly instalments for a 12-month loan of THB10,000 with an interest rate charge per year of 21% would be cTHB1,000 vs THB970 for a 16% interest rate charge. We believe clients would not feel a sufficient difference between these two monthly instalments.

Moreover, we believe there is plenty of room for every operator to grow their business, due to the relatively large size of the motorcycle title loan market. There are currently c21m registered motorcycles in Thailand.

Exhibit 3: Monthly instalment comparison between interest rate charges of 21% and 16%

Source: FSSIA's compilation

Exhibit 4: No. of registered motorcycles

Source: Department of Land Transport

JV business model

As its recent analyst meeting, management provided more details on the JV deal between FM and GSB, which are in line with our expectations. The JV might start operating in Mar-21. SAWAD would hold a 51% share of the JV, with the rest being held by GSB. GSB will provide the low interest rate source of funds for the JV, while the loans would originate at SAWAD's branches (4,660 branches) and GSB's branches (c1,050 branches) via SAWAD's staff and credit approval systems. Thus, SAWAD will charge service fees, i.e. loan origination fees and debt collection fees from the JV. Meanwhile, SAWAD will continue to operate its car title loan business under Srisawad Finance (BFIT TB, not rated) and Srisawad Power 2014 (SAWAD 2014, not listed). We expect these two subsidiaries to continue charging the same average interest rates of c23-26%. SAWAD will apply its customer risk profile criteria in order to channel clients toward borrowing from a particular subsidiary.

Exhibit 5: Assumptions for JV

	2021E	2022E
Outstanding loans (THB m)	13,500	16,000
Average yield on loans (%)	16.5	17.0
Average cost of funds (%)	2.5	2.5

Source: FSSIA's estimates

JV assumptions

1. Outstanding loans: We expect the JV's outstanding loans in 2021-22 to be at THB13.5b and THB16b, respectively;
2. Average yield on loans: We expect the JV to offer the most competitive yield in its first year of operation to gain market share – the lowest possible yield would be 13-15% vs its maximum yield at 18%. Therefore, we estimate the average loan yield in 2021-22 at 16.5% and 17%, respectively;
3. Cost of funds: We think that GSB would provide a low 2.5% cost of funding to the JV;
4. Loan servicing fees charged by SAWAD: We expect SAWAD would charge loan servicing fees at 2% of total outstanding loans.

Note that for every THB1b increase in loan volume, ceteris paribus, the JV's net profit contributions to SAWAD would increase c6%.

Exhibit 6: Sensitivity analysis of the JV's 2021 performance; our base case is for a 16.5% loan yield with cost of funds at 2.5%, which would contribute THB201m to SAWAD's bottom line

		Yield on loans (%)													
		8.0	9.0	10.0	11.0	12.0	13.0	14.0	15.0	16.0	16.5	17.0	17.5	18.0	
Cost of funds (%)	1.0	28	56	84	111	139	166	194	221	249	263	276	290	304	
	1.5	8	36	63	91	118	146	173	201	228	242	256	270	283	
	2.0	(12)	15	43	70	98	125	153	180	208	222	236	249	263	
	2.5	(33)	(5)	22	50	77	105	133	160	188	201	215	229	243	
	3.0	(53)	(26)	2	30	57	85	112	140	167	181	195	209	222	
	3.5	(74)	(46)	(18)	9	37	64	92	119	147	161	174	188	202	

Source: FSSIA's estimates

Net profit and target price revisions

We increase our 2020 net profit forecast due to SAWAD's better-than-expected 3Q20 insurance commissions and lower-than-expected credit losses. These should offset the company's slower loan growth.

We also revise up our net profit forecasts for 2021-22 by 1.8%/2.2% to reflect the potential benefits from its partnership with GSB. The key changes in our assumptions are 1) loan growth; 2) yield on loans; 3) cost of funds; and 4) non-interest income.

1) We revise up our 2021-22 loan growth assumptions to 30%/17% from 23%/22% to factor in the expected new loan volume from the JV. We assume the JV's outstanding loans to be THB13.5b in 2021 and THB16.0b in 2022.

2) We revise down our 2021-22 yield on loan assumptions to 19.7%/19.3% from 19.9%/19.9% to reflect the full-year impact of the lower interest rate ceiling mandated by the Bank of Thailand and the lower yield on loans originating at the JV. We assume the JV's loan yield would be 16.5% in 2021 and 17% in 2022.

3) We revise down our cost of fund assumptions in 2021-22 to 3.36%/3.12% from 3.80%/3.66%, due to the lower cost of funds provided by GSB to the JV. We assume the JV's cost of funds in 2021-22 to be at 2.5%.

4) We increase our 2021-22 non-interest income assumptions by 15.3% and 20.6% to reflect the higher fee income, i.e. loan origination fees and debt collection fees, paid by the JV to SAWAD. Moreover, we expect SAWAD's insurance commissions to increase significantly, due to the higher customer base from GSB.

Note that SAWAD will book a special gain from selling FM's shares worth cTHB158m (net of tax) in 1Q21.

Exhibit 7: Key changes in assumptions

	2019	2020E			2021E			2022E		
		Old	New	Change	Old	New	Change	Old	New	Change
	(THB m)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)	(THB m)	(THB m)	(%)
Net interest income	6,411	7,870	7,197	(8.6)	9,562	8,433	(11.8)	11,776	10,252	(12.9)
Non-interest income*	2,554	2,872	3,066	6.7	3,127	3,606	15.3	3,357	4,050	20.6
Operating income	8,965	10,743	10,263	(4.5)	12,689	12,039	(5.1)	15,133	14,302	(5.5)
Operating expenses	3,532	4,189	4,062	(3.0)	4,970	4,590	(7.6)	5,898	5,186	(12.1)
PPOP before tax*	5,433	6,554	6,201	(5.4)	7,719	7,449	(3.5)	9,235	9,116	(1.3)
Expected credit loss (Reversal)	552	931	260	(72.1)	971	524	(46.0)	990	642	(35.1)
Tax expenses	952	1,125	1,188	5.7	1,350	1,385	2.6	1,649	1,695	2.8
Minority interest	172	181	374		190	240		199	240	
Normalised profit	3,756	4,318	4,379	1.4	5,209	5,301	1.8	6,396	6,539	2.2
Extraordinary items	-	0	-		0	158		0	-	
Net profit	3,756	4,318	4,379	1.4	5,209	5,459	4.8	6,396	6,539	2.2
EPS (THB)	2.85	3.3	3.30	1.4	3.9	4.12	4.8	4.8	4.93	2.2
Normalised EPS (THB)	2.85	3.3	3.30	1.4	3.9	4.00	4.8	4.8	4.93	2.2
Key statistics and ratios										
Asset quality ratio										
Gross NPLs	1,429	2,286	2,000	(12.5)	2,857	2,500	(12.5)	3,143	2,875	(8.5)
Gross NPLs/Loans (%)	3.83	4.7	4.83		4.8	4.6		4.3	4.6	
Loan loss reserve/NPLs (%)	57	74	65		71	58		77	57	
Credit cost (bp)	163	210	66		180	110		150	110	
Profitability ratio										
Cost to income ratio (%)*	39.4	39.0	39.6		39.2	38.1		39.0	36.3	
Average yield (%)	21.3	19.9	20.6		19.9	19.7		19.9	19.3	
Cost of funds (%)	3.46	3.76	3.60		3.80	3.36		3.66	3.12	
Net interest margin (NIM) (%)	18.9	17.8	18.3		17.7	17.7		17.8	17.6	
% growth										
Loan growth (y-y %)	22.0	20.0	11.0		23.0	30.0		22.0	17.0	

* Including share of profits from associates

Source: FSSIA estimates

Exhibit 8: Summary of key financial highlights

	2019	2020E	2021E	2022E
	(THB m)	(THB m)	(THB m)	(THB m)
Key items				
Net interest income	6,411	7,197	8,433	10,252
Non-interest income*	2,554	3,066	3,606	4,050
Operating income*	8,965	10,263	12,039	14,302
Operating expenses	3,532	4,062	4,590	5,186
PPOP before tax*	5,433	6,201	7,449	9,116
Provision (Reversal)	552	260	524	642
Tax expenses	952	1,188	1,385	1,695
Minority interest	172	374	240	240
Normalised profit	3,756	4,379	5,301	6,539
Extraordinary items	0	0	158	0
Net profit	3,756	4,379	5,459	6,539
EPS (THB)	2.85	3.30	4.12	4.93
Normalised EPS (THB)	2.85	3.30	4.00	4.93
Gross NPLs	1,429	2,000	2,500	2,875
Loans	37,294	41,397	53,816	62,964
Growth	(%)	(%)	(%)	(%)
Net interest income	26.3	12.3	17.2	21.6
Non-interest income*	22.5	20.0	17.6	12.3
Operating income*	25.2	14.5	17.3	18.8
Operating expenses	15.9	15.0	13.0	13.0
PPOP before tax*	32.1	14.1	20.1	22.4
Provision (Reversal)	42.2	(53.0)	101.7	22.7
Tax expenses	31.4	24.8	16.6	22.3
Minority interest				
Extraordinary items				
Net profit	35.7	16.6	24.7	19.8
EPS (THB)	18.1	16.0	24.7	19.8
Gross NPLs	26.7	40.0	25.0	15.0
Loan growth (y-y %)	22.0	11.0	30.0	17.0
Key ratios	(%)	(%)	(%)	(%)
Gross NPLs / Loans	3.8	4.8	4.6	4.6
Loan loss reserve/NPLs	56.9	64.9	57.8	57.2
Cost-to-income ratio*	39.4	39.6	38.1	36.3
Net interest margin (NIM)	18.9	18.3	17.7	17.6

* Including share of profits from associates

Source: FSSIA estimates

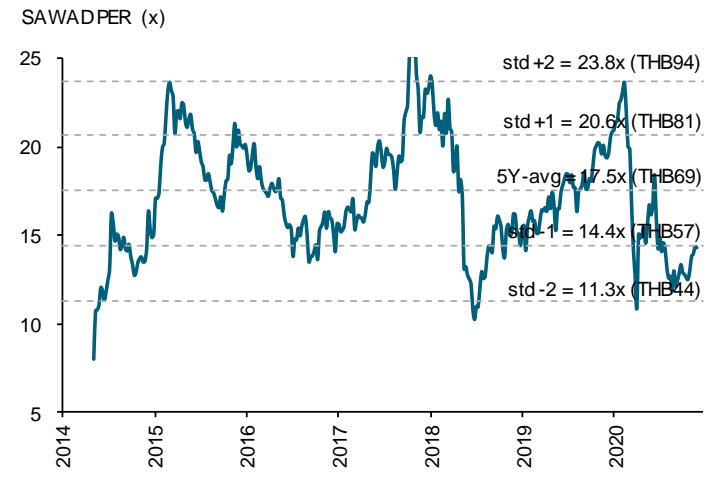
We revise up our GGM-based TP to THB72 from THB68, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2021E P/BV from 3.3x to 3.5x to reflect the increase in our average long-term ROE target of 21.5% from 21.4% and our cost of equity reduction to 11.4% from 11.6%.

Exhibit 9: SAWAD – GGM-derived target price

Target price	THB72 (from THB68)
Recommendation	BUY
Risk-free rate (%)	3 (unchanged)
Market risk premium (%)	8 (unchanged)
Cost to equity (%)	11.4 (from 11.6)
Terminal growth (%)	7.3 (unchanged)
ROE target (%)	21.5 (from 21.4)
Risk to TP	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand.

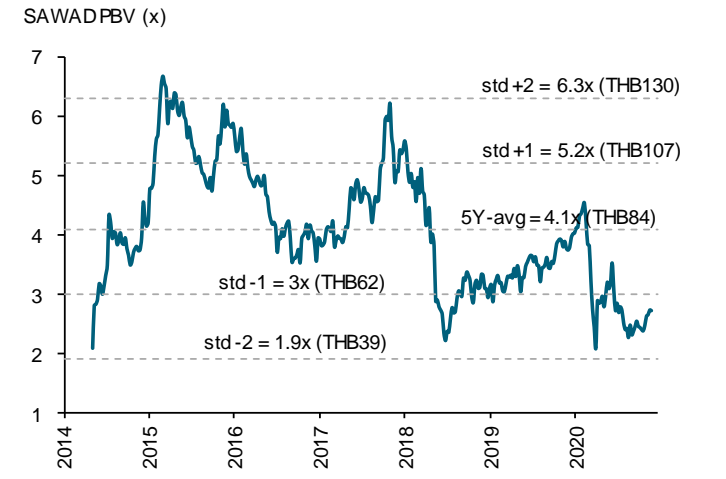
Source: FSSIA estimates

Exhibit 10: Rolling one-year forward P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 11: Rolling one-year forward P/BV band



Sources: Bloomberg; FSSIA estimates

Financial Statements

Srisawad Corp

Profit and Loss (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Interest Income	5,797	7,239	8,105	9,378	11,269
Interest expense	(721)	(828)	(909)	(946)	(1,017)
Net interest income	5,076	6,411	7,197	8,433	10,252
Net fees & commission	1,752	1,936	2,420	2,928	3,338
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	2	0	0	0	0
Other income	330	615	646	678	712
Non interest income	2,085	2,551	3,066	3,606	4,050
Total income	7,160	8,962	10,263	12,039	14,302
Staff costs	(1,531)	(1,785)	(2,053)	(2,319)	(2,621)
Other operating costs	(1,515)	(1,747)	(2,009)	(2,270)	(2,565)
Operating costs	(3,046)	(3,532)	(4,062)	(4,590)	(5,186)
Pre provision operating profit	4,114	5,430	6,201	7,449	9,116
Provision for bad and doubtful debt	(388)	(552)	(260)	(524)	(642)
Other provisions	-	-	-	-	-
Operating profit	3,726	4,878	5,941	6,926	8,473
Recurring non operating income	0	3	0	0	0
Associates	0	3	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	158	0
Profit before tax	3,726	4,881	5,941	7,084	8,473
Tax	(725)	(952)	(1,188)	(1,385)	(1,695)
Profit after tax	3,001	3,929	4,753	5,699	6,779
Minority interests	(233)	(172)	(374)	(240)	(240)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	2,768	3,756	4,379	5,459	6,539
Non recurring items & goodwill (net)	-	-	0	(158)	0
Recurring net profit	2,768	3,756	4,379	5,301	6,539
Per share (THB)					
Recurring EPS *	2.41	2.83	3.30	4.00	4.93
Reported EPS	2.47	2.90	3.30	4.12	4.93
DPS	0.01	1.43	0.17	0.21	0.25
Growth					
Net interest income (%)	17.1	26.3	12.3	17.2	21.6
Non interest income (%)	18.0	22.4	20.2	17.6	12.3
Pre provision operating profit (%)	19.7	32.0	14.2	20.1	22.4
Operating profit (%)	22.4	30.9	21.8	16.6	22.3
Reported net profit (%)	3.8	35.7	16.6	24.7	19.8
Recurring EPS (%)	10.2	17.5	16.6	21.0	23.4
Reported EPS (%)	(1.1)	17.6	14.0	24.7	19.8
Income Breakdown					
Net interest income (%)	70.9	71.5	70.1	70.0	71.7
Net fees & commission (%)	24.5	21.6	23.6	24.3	23.3
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.0	-	-	-	-
Other income (%)	4.6	6.9	6.3	5.6	5.0
Operating performance					
Gross interest yield (%)	21.31	21.34	20.60	19.70	19.30
Cost of funds (%)	3.19	3.46	3.60	3.36	3.12
Net interest spread (%)	18.12	17.88	17.00	16.34	16.18
Net interest margin (%)	18.7	18.9	18.3	17.7	17.6
Cost/income(%)	42.5	39.4	39.6	38.1	36.3
Cost/assets(%)	8.4	8.3	8.3	8.1	7.8
Effective tax rate (%)	19.5	19.5	20.0	19.6	20.0
Dividend payout on recurring profit (%)	0.5	50.3	5.0	5.1	5.0
ROE (%)	26.0	24.8	21.5	21.2	21.3
ROE - COE (%)	15.2	14.0	10.7	10.4	10.5
ROA (%)	8.3	9.3	9.7	9.8	10.1
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Financial Statements

Srisawad Corp

Balance Sheet (THB m) Year Ending Dec	2018	2019	2020E	2021E	2022E
Gross customer loans	30,567	37,294	41,397	53,816	62,964
Total provisions	(997)	(813)	(1,297)	(1,444)	(1,646)
interest in suspense	4	3	4	4	4
Net customer loans	29,573	36,485	40,103	52,375	61,322
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	711	551	0	0	0
Cash & equivalents	2,410	1,649	5,476	1,055	4,067
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,287	1,411	1,488	1,569	1,654
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	5,236	5,365	5,275	5,718	5,847
Total assets	39,217	45,462	52,342	60,716	72,889
Customer deposits	7,280	6,354	6,037	6,338	6,655
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	16,802	17,511	20,573	23,349	28,878
Non interest bearing liabilities	1,507	1,404	1,474	1,548	1,625
Hybrid Capital	-	-	-	-	-
Total liabilities	25,589	25,270	28,084	31,236	37,159
Share capital	1,148	1,336	1,336	1,336	1,336
Reserves	10,715	17,052	21,082	26,268	32,480
Total equity	11,863	18,388	22,418	27,604	33,816
Minority interests	1,765	1,803	1,839	1,876	1,914
Total liabilities & equity	39,217	45,462	52,342	60,716	72,889
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	27,197	33,931	39,345	47,606	58,390
Average interest bearing liabilities	22,584	23,974	25,238	28,149	32,611
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	1,128	1,429	2,000	2,500	2,875
Per share (THB)					
Book value per share	10.57	14.19	16.92	20.83	25.52
Tangible book value per share	10.57	14.19	16.92	20.83	25.52
Growth					
Gross customer loans	28.3	22.0	11.0	30.0	17.0
Average interest earning assets	31.7	24.8	16.0	21.0	22.7
Total asset (%)	17.5	15.9	15.1	16.0	20.0
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	19.9	(12.7)	(5.0)	5.0	5.0
Leverage & capital measures					
Customer loan/deposits (%)	406.2	574.2	664.3	826.3	921.4
Equity/assets (%)	30.2	40.4	42.8	45.5	46.4
Tangible equity/assets (%)	30.2	40.4	42.8	45.5	46.4
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	0.5	26.7	40.0	25.0	15.0
NPL/gross loans (%)	3.7	3.8	4.8	4.6	4.6
Total provisions/gross loans (%)	3.3	2.2	3.1	2.3	2.6
Total provisions/NPL (%)	88.5	56.9	64.9	57.8	57.2
Valuation					
Recurring P/E (x) *	22.6	19.2	16.5	13.6	11.0
Recurring P/E @ target price (x) *	29.9	25.4	21.8	18.0	14.6
Reported P/E (x)	22.1	18.8	16.5	13.2	11.0
Dividend yield (%)	0.0	2.6	0.3	0.4	0.5
Price/book (x)	5.2	3.8	3.2	2.6	2.1
Price/tangible book (x)	5.2	3.8	3.2	2.6	2.1
Price/tangible book @ target price (x)	6.8	5.1	4.3	3.5	2.8

Sources: Srisawad Corp; FSSIA estimates

Corporate Governance report of Thai listed companies 2019

EXCELLENT LEVEL										
AAV	ADVANC	AIRA	AKP	AKR	AMA	AMATA	AMATAV	ANAN	AOT	AP
ARROW	BAFS	BANPU	BAY	BCP	BCPG	BOL	BRR	BTS	BTW	BWG
CFRESH	CHEWA	CHO	CK	CKP	CM	CNT	COL	COMAN	CPALL	CPF
CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC	EA	EASTW	ECF
EGCO	GBX	GC	GCAP	GEL	GGP	GGC	GOLD	GPSC	GRAMMY	GUNKUL
HANA	HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN
JSP	K	KBANK	KCE	KKP	KSL	KTB	KTC	KTIS	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	MFEC	MINT	MONO*
MTC	NCH	NCL	NKI	NSI	NVD	NYT	OISHI	OTO	PAP	PCSGH
PDJ	PG	PHOL	PJW	PLANB	PLANET	PORT	PPS	PR9	PREB	PRG
PRM	PSH	PSL	PTG	PTT	PTTEP	PTTGC	PYLON	Q-CON	QH	QTC
RATCH	ROBINS**	RS	S	S & J	SABINA	SAMART	SAMTEL	SAT	SC	SCB
SCC	SCCC	SCN	SDC	SEAFCO	SEAOL	SE-ED	SELIC	SENA	SIS	SITHAI
SNC	SORKON	SPALI	SPI	SPRC	SSSC	STA	STEC	SVI	SYNTEC	TASCO
TCAP	THAI	THANA	THANI	THCOM	THIP	THREL	TIP	TISCO	TK	TKT
TMB	TMILL	TNDT	TOA	TOP	TRC	TRU	TRUE	TSC	TSR	TSTH
TTA	TTCL	TTW	TU	TVD	TVO	U	UAC	UV	VGI	VIH
WACOAL	WAVE	WHA	WHAUP	WICE	WINNER					
VERY GOOD LEVEL										
2S	ABM	ADB	AF	AGE	AH	AHC	AIT	ALLA	ALT	AMANA
AMARIN	APCO	APCS	AQUA	ARIP	ASAP	ASIA	ASIAN	ASIMAR	ASK	ASN
ASP	ATP30	AUCT	AYUD	B	BA	BBL	BDMS	BEC	BEM	BFIT
BGC	BGRIM	BIZ	BJC	BJCHI	BLA	BPP	BROOK	CBG	CEN	CENDEL
CGH	CHG	CHOTI	CHOW	CI	CIMBT	CNS	COLOR	COM7	COTTO	CRD
CSC	CSP	DCC	DCON	DDD	DOD	EASON	ECL	EE	EPG	ERW
ESTAR	ETE	FLOYD	FN	FNS	FORTH	FPI	FPT	FSMART	FSS	FVC
GENCO	GJS	GL	GLOBAL	GLOW**	GULF	HPT	HTC	HYDRO	ICN	IFS
INET	INSURE	IRC	IRCP	IT	ITD***	ITEL	J	JAS*	JCK	JCKH
JMART	JMT	JWD	KBS	KCAR	KBS	KIAT	KOOL	KWC	KWM	L&E
LALIN	LANNA	LDC	LHK	LOXLEY	LRH	LST	M	MACO	MAJOR	MBAX
MEGA	METCO	MFC	MK	MODERN	MOONG	MPG	MSC	MTI	NEP	NETBAY
NEX	NINE	NOBLE	NOK	NTV	NWR	OCC	OGC	ORI	OSP	PATO
PB	PDG	PDI	PL	PLAT	PNR	PPP	PRECHA	PRIN	PRINC	PSTC
PT	QLT	RCL	RICHY	RML	RWI	S11	SAAM	SALEE	SAMCO	SANKO
SAPPE	SAWAD	SCG	SCI	SCP	SE	SFP	SIAM	SINGER	SIRI	SKE
SKR	SKY	SMIT	SMK	SMP	SMT	SNP	SONIC	SPA	SPC	SPCG
SPVI	SR	SRICHA	SSC	SSF	SST	STANLY	STPI	SUC	SUN	SUSCO
SUTHA	SWC	SYMC	SYNEX	T	TACC	TAE	TAKUNI	TBSP	TCC	TCMC
TEAM	TEAMG	TFG	TFMAMA	THG	THRE	TIPCO	TITLE	TIW	TKN	TKS
TM	TMC	TMD	TMI	TMT	TNITY	TNL	TNP	TNR	TOG	TPA
TPAC	TPBI	TPCORP	TPOLY	TRITN	TRT	TSE	TSTE	TVI	TVT	TWP
TWPC	UBIS	UEC	UMI	UOBKH	UP	UPF	UPOIC	UT	UWC	VNT
WIIK	XO	YUASA	ZEN	ZMICO						
GOOD LEVEL										
A	ABICO	ACAP***	AEC	AEONTS	AJ	ALUCON	AMC	APURE	AS	ASEFA
AU	B52	BCH	BEAUTY	BGT	BH	BIG	BLAND	BM	BR	BROCK
BSBM	BSM	BTNC	CCET	CCP	CGD	CHARAN	CHAYO	CITY	CMAN	CMC
CMO	CMR	CPL	CPT	CSR	CTW	CWT	D	DIMET	EKH	EMC
EPCO	ESSO	FE	FTE	GIFT	GLAND	GLOCON	GPI	GREEN	GTB	GYT
HTECH	HUMAN	IHL	INGRS	INOX	JTS	JUBILE	KASET	KCM	KKC	KWG
KYE	LEE	LPH	MATCH	MATI	M-CHAI	MCS	MDX	META	MGT	MJD
MM	MVP	NC	NDR	NER	NNCL	NPK	NUSA	OCEAN	PAF	PF
PICO	PIMO	PK	PLE	PMTA	POST	PPM	PROUD	PTL	RCI	RJH
ROJNA	RPC	RPH	SF	SGF	SGP	SKN	SLP	SMART	SOLAR	SPG
SQ	SSP	STI	SUPER	SVOA	TCCC	THE	THMUI	TIC	TIGER	TNH
TOPP	TPCH	TPIPP	TPLAS	TQM	TTI	TYCN	UTP	VCOM	VIBHA	VPO
WIN	WORK	WP	WPH	ZIGA						
Score Range	Number of Logo					Description				
90-100						Excellent				
80-89						Very Good				
70-79						Good				
60-69						Satisfactory				
50-59						Pass				
Less than 50	No logo given					-				

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator

CERTIFIED										
ADVANC	AIE	AKP	AMANAHA	AP	APCS	AQUA	ARROW	ASK	ASP	AYUD
BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG	BGRIM	BJCHI	BKI	BLA
BROOK	BRR	BSBM	BTS	BWG	CEN	CENTEL	CFRESH	CGH	CHEWA	CIG
CIMBT	CM	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FSS	GBX	GC
GCAP	GEL	GFPT	GGC	GJS	GOLD	GPSC	GSTEEL	GUNKUL	HANA	HARN
HMPRO	HTC	ICC	IFS	INET	INSURE	INTUCH	IRPC	IVL	K	KASET
KBANK	KBS	KCAR	KCE	KGI	KKP	KSL	KTB	KTC	KWC	L&E
LANNA	LHK	LPN	LRH	M	MAKRO	MALEE	MBAX	MBK	MBKET	MC
MCOT	MFC	MINT	MONO	MOONG	MSC	MTI	NBC	NINE	NKI	NMG
NNCL	NSI	OCC	OCEAN	OGC	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPS
PREB	PRG	PRINC	PSH	PSTC	PT	PTG	PTT	PTTEP	PTTGC	PYLON
Q-CON	QH	QLT	QTC	RATCH	RML	S & J	SABINA	SAT	SC	SCB
SCC	SCCC	SCG	SCN	SE-ED	SELIC	SENA	SGP	SIRI	SIS	SITHAI
SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK	SPC	SPI	SPRC	SRICHA
SSF	SSI	SSSC	SST	STA	SUSCO	SVI	SYNTEC	TASCO	TCAP	TFG
TFI	TFMAMA	THANI	THCOM	THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT
TMB	TMD	TMILL	TMT	TNITY	TNL	TNP	TNR	TOG	TOP	TPA
TPCORP	TRU	TRUE	TSC	TSTH	TTCL	TU	TVD	TVI	TWPC	U
UBIS	UEC	UKEM	UOBKH	VGI	VIH	VNT	WACOAL	WHA	WICE	WIIK
DECLARED										
2S	ABICO	AF	AI	AIRA	ALT	AMA	AMARIN	AMATA	ANAN	B
BM	BPP	BUI	CHG	CHO	CHOTI	CHOW	CI	CMC	COL	DDD
DELTA	EFORL	EPCO	ESTAR	ETE	FPI	FTE	ICHI	INOX	IRC	ITEL
JAS	JSP	JTS	KWG	LDC	LIT	META	MFEC	MPG	NEP	NOK
NWR	ORI	PRM	PSL	ROJNA	RWI	SAAM	SAPPE	SCI	SEOIL	SHANG
SKR	SPALI	STANLY	SYNEX	TAE	TAKUNI	TMC	TOPP	TPP	TRITN	TVO
UV	UWC	WHAUP	XO	YUASA	ZEN					

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by ThaiPat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. ThaiPat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of ThaiPat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

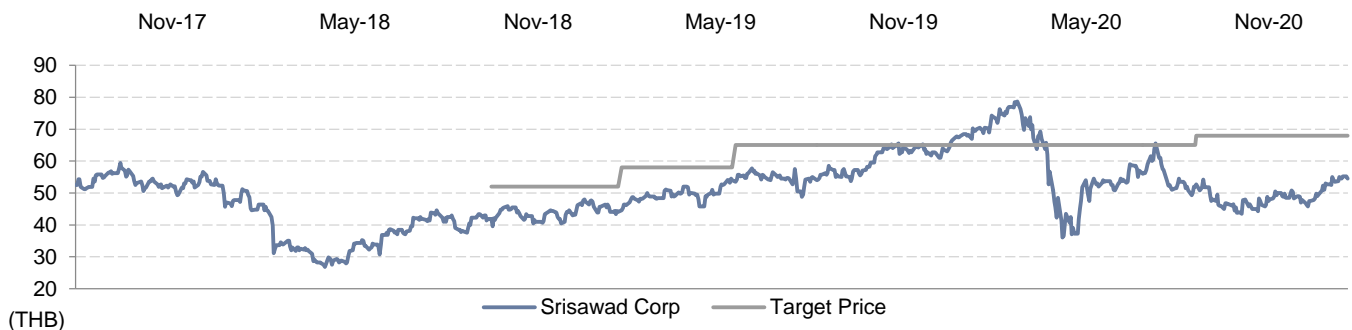
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History of change in investment rating and/or target price

Srisawad Corp (SAWAD TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
19-Nov-2018	BUY	52.00	17-Jun-2019	BUY	65.00	02-Apr-2020	HOLD	65.00
11-Mar-2019	BUY	58.00	20-Nov-2019	HOLD	65.00	16-Jul-2020	BUY	68.00

Yuvanart Suwanumphai Started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Srisawad Corp	SAWAD TB	THB 54.50	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finasia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 24-Nov-2020 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as (target price* - current price) / current price.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.