

SRISAWAD CORP

SAWAD TB

THAILAND / DIVERSIFIED FINANCIALS

BUY

UNCHANGED

Target: one-stop financial services

- SAWAD to become a one-stop financial services provider focused on lending, insurance brokerage and AMC business.
- Growth mode to resume in 2022, with a loan growth target of 20-30% y-y and solid Non-NII growth from insurance income.
- Maintain BUY with a lower TP of THB74, down from THB80.

TARGET PRICE	THB74.00
CLOSE	THB58.25
UP/DOWNSIDE	+27.0%
PRIOR TP	THB80.00
CHANGE IN TP	-7.5%
TP vs CONSENSUS	+2.2%

KEY STOCK DATA

YE Dec (THB m)	2021	2022E	2023E	2024E
Operating profit	6,241	6,834	8,050	9,428
Net profit	4,722	5,247	6,258	7,201
EPS (THB)	3.48	3.86	4.61	5.43
vs Consensus (%)	-	1.2	3.6	9.9
Core net profit	4,544	5,247	6,258	7,201
Core EPS (THB)	3.35	3.86	4.61	5.43
Chg. In EPS est. (%)	-	(7.4)	(6.4)	-
EPS growth (%)	0.8	15.5	19.3	17.9
Core P/E (x)	17.4	15.1	12.6	10.7
Dividend yield (%)	3.0	3.3	4.0	0.5
Price/book (x)	3.2	2.9	2.6	2.1
ROE (%)	19.4	20.2	21.8	21.4
ROA (%)	9.5	10.6	11.4	11.0

Transforming into a one-stop financial services provider

At its recent analyst meeting, SAWAD announced plans to become a one-stop financial services provider offering lending services to the grassroots and medium-income segments. Additionally, the company will expand its insurance brokerage and AMC business more aggressively. Over the next three years, SAWAD targets a loan mix of 60% auto title loans and 40% new motorcycle hire purchase (MHP), personal loans, home appliance hire purchase (HAHP), and asset management.

SAWAD to resume growth mode in 2022

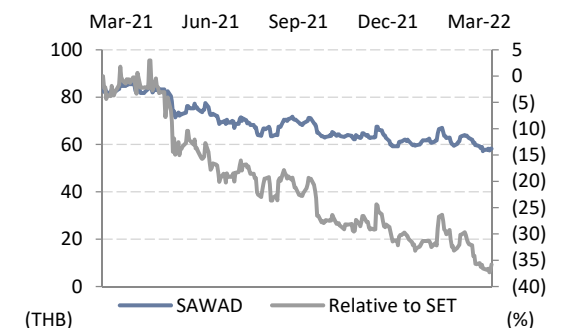
After a 15% y-y drop in its 2021 loan volume (from the deconsolidation of Fast Money (FM, not listed)'s portfolio – excluding this its 2021 loan portfolio was flat y-y), SAWAD expects to resume its growth path, starting from 2Q22. It provided more aggressive 2022 financial targets, including: 1) 20-30% y-y loan growth, especially in 2H22; 2) a rise in its NIM following an increase in high-yield lending; 3) strong Non-NII growth thanks to insurance commission fees; and 4) a slight increase in provisions.

Stronger net profit growth expected in 2022, particularly 2H22

Given the more aggressive expansion plan, we believe its 2022 core profit should increase by 15% y-y vs 1% y-y in 2021, driven by three main factors. First, we expect its loan volume to rise 20% y-y following a rise in its MHP and title loans. Second, with the expected increase in high-yield loan volume, we expect its NIM to improve to 18.3% vs 16.6% in 2021. Lastly, SAWAD will aggressively expand its insurance brokerage business with a commission fee target in 2022 of THB1b, up from THB0.7b in 2021. We expect it to continue receiving loan management fees from FM. Thus, its Non-NII could surge 20% y-y. We expect stronger net profit growth in 2H22 from its more aggressive loan expansion.

Maintain BUY; diversification should help ensure survival

We lower our core profit forecasts for 2022-23 by 7%/6% to mainly reflect the slower loan growth. We revise down our TP to THB74 from THB80. We maintain our BUY call as we believe diversification should help it survive the disruption in the auto title loan industry. Its valuation is very attractive. SAWAD trades at 2.9x 2022E P/BV with an ROE of 20.2% vs its rival MTC, which trades at 3.7x 2022E P/BV with an ROE of 21.4%.



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(8.3)	(1.7)	(25.8)
Relative to country (%)	(8.1)	(6.6)	(31.9)
Mkt cap (USD m)	2,447		
3m avg. daily turnover (USD m)	14.0		
Free float (%)	66		
Major shareholder	Kaewbootta Family (34%)		
12m high/low (THB)	94.25/56.75		
Issued shares (m)	1,373		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

SAWAD has a solid market position as the third largest lender in the title loan market. We expect its market position to remain relatively strong over the next few years, as it plans to continuously expand its loan portfolio.

Additionally, SAWAD has transformed its business from a grassroots lending operator into a one-stop financial services provider. Moreover, the company is accelerating its ROE by accelerating its high yield lending business and insurance brokerage business.

We maintain our BUY call as we believe it should survive the disruption in the auto title loan industry due to its more diversified business model.

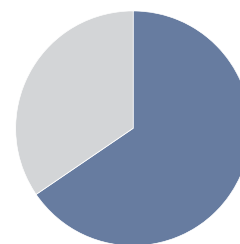
Company profile

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.

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Principal activities (revenue, 2021)

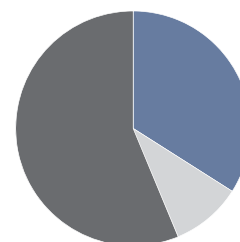
- Net interest income - 65.5 %
- Non-interest income - 34.5 %



Source: Srisawad Corp

Major shareholders

- Kaewbootta Family - 34.0 %
- Thai NVDR - 9.7 %
- Others - 56.3 %



Source: Srisawad Corp

Catalysts

Potential share price catalysts for SAWAD include:

- The synergy between SAWAD and Government Savings Bank;
- The success of its home appliance hire purchase business;
- The spin-off of Srisawad Capital (SCAP; not listed)'s business.

Risks 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 and the Office of Consumer Protection Board.

Event calendar

Date	Event
Mid May 2022	1Q22 results announcement

Key assumptions

Year to Dec	2022E	2023E	2024E
	(%)	(%)	(%)
Net profit (THB m)	5,247	6,258	7,201
Net profit growth	11.1	19.3	15.1
NIM	18.29	18.65	19.06
Loan growth	20.0	18.0	18.0
Non-NII growth	19.7	10.0	10.0
Credit cost (bp)	43	75	100
Cost to income	34.0	32.6	31.6

Source: FSSIA estimates

Earnings sensitivity

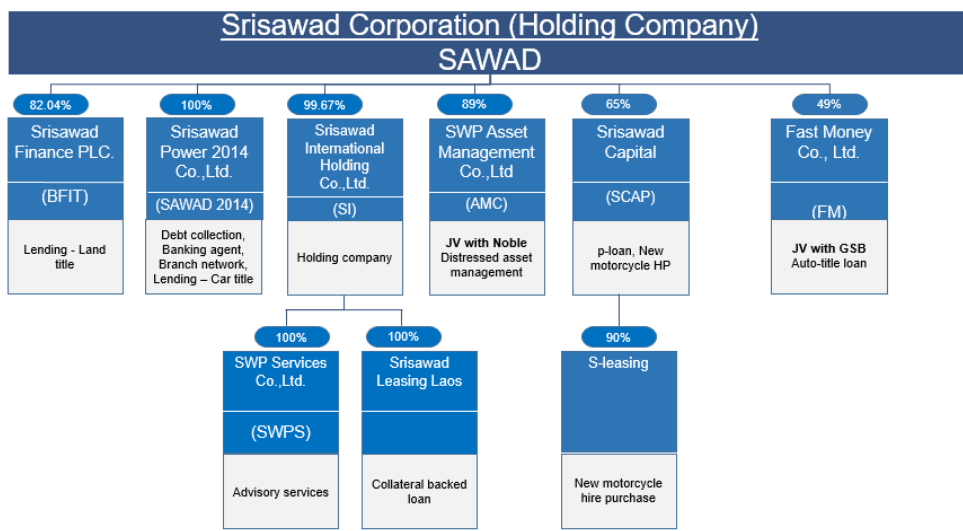
		2022E		
Loan growth	±2ppt	18.0	20.0	22.0
% change in net profit		(1.0)	-	1.0
NIM (%)	±5bp	18.24	18.29	18.34
% change in net profit		(0.5)	-	0.5
Credit cost (bp)	±10bp	33.0	43.0	53.0
% change in net profit		(0.6)	-	0.6

Source: FSSIA estimates

Transformation into a one-stop financial services provider

SAWAD originated primarily as a microfinance services provider to low-income and no-credit profile customers. To evade the continuing fierce competition in this niche and the risk of regulatory uncertainty, SAWAD opted to gradually transform its business. Eventually, SAWAD targets providing a full range of financial products for the grassroots and medium-income segments. Currently, SAWAD runs three main businesses, including: 1) lending; 2) insurance brokerage; and 3) distressed asset management (AMC).

Exhibit 1: SAWAD’s organisational structure

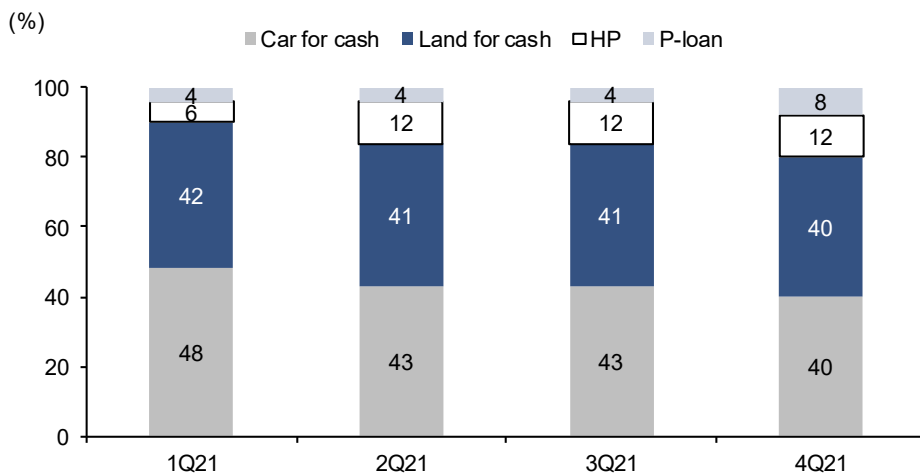


Source: FSSIA’s compilation

1) Lending business

Its loan portfolio as of 2021 was at THB33.7b, comprising 40% car title loans; 40% land title loans; 12% MHP; and 8% personal loans. In Jan-22, the company added HAHP as a new product and has already launched HAHP at two branches. It expects to roll out this business at its branches nationwide as mentioned in our report, [“Srisawad Corp \(SAWAD TB\) - Diversification helps survival”](#) dated 1 Feb-22. Over the next three years, SAWAD targets a loan mix of 60% auto title loans and 40% new MHP, personal loans, HAHP, and AMC.

Exhibit 2: SAWAD’s loan portfolio breakdown



Source: SAWAD; FSSIA’s compilation

2) Insurance brokerage business

SAWAD expanded into the insurance brokerage business by partnering with two highly experienced insurance companies in Thailand: Generali Thailand (not listed) and Chubb Samaggi Insurance (not listed). Currently, more than 90% of its insurance sales come from loan attachments. The company targets increasing the proportion of non-loan related clients going forward. It launched 0% 12-month instalment loans in Dec-21.

3) AMC business

In Mar-22, SAWAD bought back 20% of SWP's asset management unit from Noble Development (NOBLE TB; not rated), which gives it an 89% holding in SWP. The company is currently considering establishing one or more JV AMCs with banks. We expect SAWAD to reactivate this business, but so far management has not provided a timeline.

We like its strategy of diversifying its business, which could help it to deliver sustainable long-term growth. However, we think it might take one or two years before these new businesses generate significant profit. In the meantime, its performance will rely mostly on its title loan business, we think.

Growth mode to resume in 2022

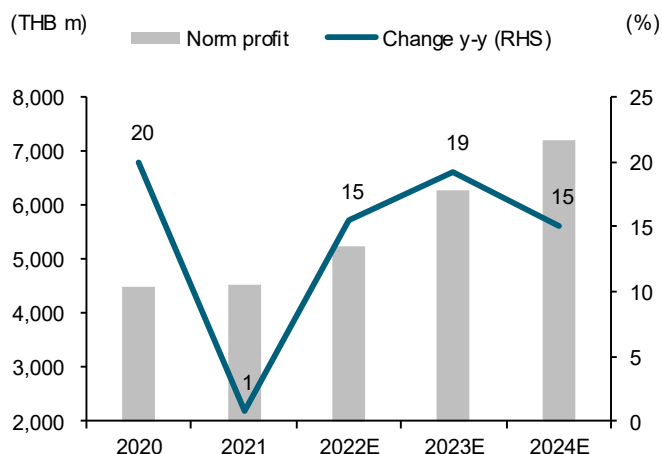
SAWAD recorded a 15% y-y drop in its 2021 loan volume following the deconsolidation of FM's portfolio. Excluding this, SAWAD's 2021 loan portfolio was flat y-y. Starting from 2Q22, SAWAD expects to resume its growth path based on more aggressive financial targets for 2022, including:

- 1) a loan growth target of 20-30% y-y. The company will resume its aggressive expansion in 2Q22, after the Omicron situation improves;
- 2) its NIM should slightly improve following the increase in high-yield lending;
- 3) its Non-NII should increase substantially due largely to the insurance business;
- 4) its provisions will slightly increase vs the provision reversal in 2021, following the increase in its loan portfolio.

Given the more aggressive expansion plan, we believe its 2022 core profit should increase by 15% y-y vs 1% y-y in 2021, driven by three main factors. First, we expect its loan volume to rise 20% y-y following a rise in its MHP and title loans. Second, with the expected increase in high-yield loan volume, we expect its NIM to improve to 18.3% vs 16.6% in 2021. Lastly, SAWAD will aggressively expand its insurance brokerage business. In 2022, the company targets commission fees of THB1b from THB0.7b in 2021. On top of that, we expect the company to continue receiving loan management fees from FM. As a result, its Non-NII could surge 20% y-y.

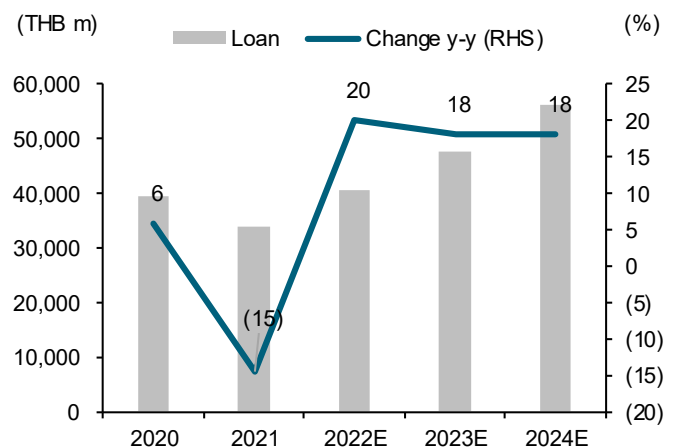
We expect stronger net profit growth in 2H22 following its more aggressive loan expansion.

Exhibit 3: SAWAD's core profit growth



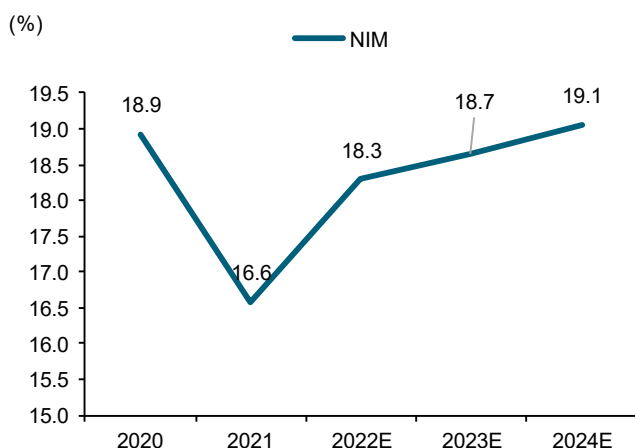
Source: SAWAD; FSSIA's estimates

Exhibit 4: SAWAD's loan growth



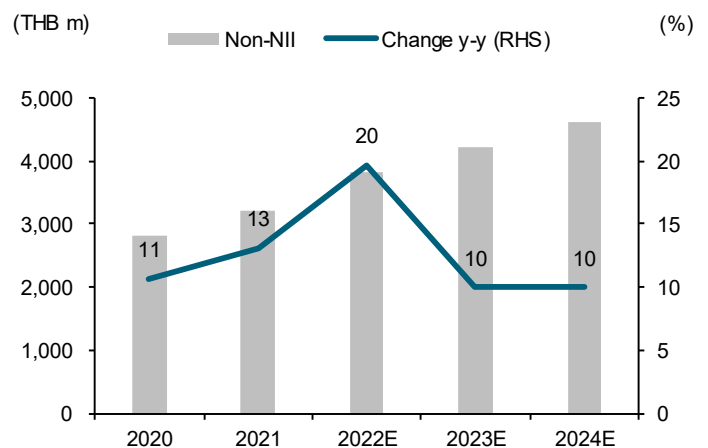
Source: SAWAD; FSSIA's estimates

Exhibit 5: SAWAD's NIM



Source: SAWAD; FSSIA's estimates

Exhibit 6: SAWAD's Non-NII



Source: SAWAD; FSSIA's estimates

Boosting SCAP's performance ahead of plan to spin-off

SCAP operates two main businesses, including: 1) new motorcycle hire purchase loans; and 2) unsecured personal loans targeting middle-income earners.

SCAP is operated by professional executives. Mr. Vichit Payuhanaveechai, SCAP's managing director, has more than 30 years of experience in the finance field which includes outstanding achievements at various leading financial organisations, i.e. SUMMIT Capital Leasing – one of the leaders in motorbike hire purchase loans – Bank of Ayudhya (BAY TB, not rated), HSBC, etc.

In 2021, SAWAD aggressively expanded its new MHP lending via SCAP. Based on its financial statements, its 2021 HP portfolio was at THB5.9b, up from THB0.2m in 2020. We believe SCAP will expand its loan portfolio aggressively this year, particularly in MHP. With the CEO's vision and experience, we believe that SCAP will be successful in its business operations. SAWAD targets an IPO for SCAP, probably within this year depending on good market timing.

Regarding the impact of the proposed interest rate charge cap at 20% for MHP by the Office of the Consumer Protection Board (OCPB), we see a manageable downside risk to our 2022E net profit of c5-6%. In our communications with the management of many listed companies, many have said that there is a chance that the OCPB might increase the cap rate.

Exhibit 7: SCAP's motorcycle hire purchase loan characteristics

	SCAP
Yearly interest rate charge - EIR basis (%)	30-35
Loan duration (years)	2-3
Monthly instalment (THB)	3,500 - 4,000
Loan-to-value (%)	90 - 100
Ticket size (THB)	50,000
Channel	Motorcycle dealers

Sources: SAWAD; FSSIA estimates

Exhibit 8: SCAP's unsecured personal loan characteristics

	SCAP
Type of unsecured p-loan	- Traditional monthly instalment - Cash card
Yearly interest rate charge - EIR basis (%)	Up to 25%, with the average of 20%
Target clients	- Middle income/office workers - Its target clients' profile would be between KTC and AEONTS' clients

Sources: SAWAD; FSSIA estimates

4Q21 results meet expectations

SAWAD reported a moderate 4Q21 net profit of THB1,144b (-11% y-y, +3% q-q), which was in line with our expectations and the Bloomberg consensus. Its 4Q21 net profit increased slightly q-q, supported by two drivers. First, SAWAD continued to release expected credit loss (ECL) revisions following a decline in Srisawad Finance's portfolio and healthier asset quality due to its more stringent debt collection processes and a rise in car seizures. Its non-performing loans (NPLs) declined by 16% q-q, reflecting an NPL ratio of 3.7% in 4Q21 vs 4.4% in 3Q21. Second, its loan yield increased to 20.3% from 19.6% in 3Q21. We think this came from a rise in its high-yield portfolio, MHP. Its MHP rose 19% q-q to THB5.9b (based on our calculation). These two positives were able to offset a rise in its OPEX; a decline in its fee income; and a flat q-q loan volume as SAWAD increased its car seizures. Note that FM generated a loss of THB23m in 4Q21 for SAWAD vs a loss of THB10m in 3Q21 due to high OPEX.

SAWAD's 2021 core profit came in at THB4.5b, increasing 1% y-y, supported by: 1) an ECL reversal following its better asset quality; 2) a rise in fee income due to its insurance brokerage fees and loan-related fees; and 3) OPEX savings from reallocating some of its staff to work under FM. SAWAD booked a THB178m extra gain from selling FM to the Government Savings Bank.

SAWAD announced a cash dividend of THB1.8 per share, implying a 3.1% dividend yield. The XD is on 3 May-22.

Exhibit 9: SAWAD – 2021/4Q21 results summary

Year end Dec 31	4Q20	3Q21	4Q21	----- Change -----		2021	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	
Net interest income	1,836	1,436	1,532	(17)	7	6,065	(17)	
Non-interest income	829	841	798	(4)	(5)	3,198	13	
Operating income	2,665	2,277	2,330	(13)	2	9,262	(8)	
Operating expenses	841	863	904	7	5	3,476	(8)	
PPOP before tax	1,824	1,414	1,427	(22)	1	5,786	(8)	
Expected credit loss	150	(101)	(132)	<i>n.a.</i>	31	(455)	<i>n.a.</i>	
Income tax	337	307	308	(9)	0	1,352	13	
Minority interest	47	86	84			316	12	
Normalised profit	1,289	1,112	1,144	(11)	3	4,544	1	
Extraordinary items	0	0	0			178		
Net profit	1,289	1,112	1,144	(11)	3	4,722	5	In-line results
EPS (THB)	0.94	0.81	0.83	(11)	3	3.48	5	
Asset quality ratio	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)	
NPLs (THB m)	1,480	1,480	1,249	(16)	(16)	1,249	(16)	
NPLs / Loans	3.75	4.40	3.71	(0.04)	(0.69)	3.71	(0.04)	
Loan loss reserve/NPLs	89	64	59	(30)	(5)	59	(30)	
Credit cost (bps)	152	(122)	(157)	(310)	(36)	(124)	(208)	
Profitability ratio	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)	
Cost to income ratio	31.6	37.9	38.8	7.2	0.9	37.5		
Average yield	21.0	19.6	20.3	(0.7)	0.7	18.8		
Cost of fund	3.4	3.5	3.6	0.1	0.1	3.5		
Net interest margin (NIM)	18.7	17.3	18.2	(0.5)	0.9	16.6		
Non-interest income / total income	31.1	36.9	34.2	3.1	(2.7)	39.1	0.1	
Loan growth	(%)	(%)	(%)			(%)		
Year-to-date	5.8	(14.7)	(14.7)					
y-y	5.8	(14.2)	(14.7)			(14.7)		
q-q	0.6	3.3	0.1					

Sources: SAWAD; FSSIA's compilation

Earnings and TP revisions

We lower our core profit forecasts for 2022-23 by 7%/6% to mainly reflect the slower loan growth in 2021 that we expect to continue in 2022. This should continue to impact earnings in 2022-23.

Exhibit 10: Key changes in assumptions

	2021	2022E			2023E			2024E
	Actual (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	New (THB m)
Net interest income	6,065	7,373	6,774	(8.1)	8,874	8,214	(7.4)	9,903
Non-interest income	3,198	3,592	3,828	6.6	3,880	4,211	8.5	4,632
Operating income	9,262	10,965	10,602	(3.3)	12,753	12,425	(2.6)	14,535
Operating expenses	3,476	3,371	3,609	7.1	3,775	4,045	7.1	4,588
PPOP before tax*	5,786	7,594	6,993	(7.9)	8,978	8,381	(6.7)	9,948
Provision (Reversal)	(455)	404	159	(60.6)	579	330	(42.9)	520
Taxes expenses	1,352	1,366	1,298	(5.0)	1,554	1,562	0.5	1,886
Minority interest	316	160	300	87.5	160	300	87.5	420
Normalised profit	4,544	5,664	5,247	(7.4)	6,686	6,258	(6.4)	7,201
Extraordinary items	178	0	-		0	-		-
Net profit	4,722	5,664	5,247	(7.4)	6,686	6,258	(6.4)	7,201
EPS (THB)	3.48	4.17	3.86	(7.4)	4.9	4.61	(6.4)	5.43
Key statistic and ratio								
Asset quality ratio								
Gross NPLs (THB m)	1,249	1,865	1,436	(23.0)	2,144	1,795	(16.3)	2,244
Gross NPLs / Loans	3.7	4.2	3.6		4.2	3.8		3.99
Loan loss reserve/NPLs	59	63	62		70.2	60		64
Credit cost (bp)	(124)	103	43		120	75		100
Profitability ratio								
Cost to income ratio	37.5	30.7	34.0		29.6	32.6		31.6
Average yield	18.8	21.1	20.2		20.7	20.5		21.5
Cost of funds	3.51	3.76	3.55		3.5	3.7		4.4
Net interest margin (NIM)	16.6	18.3	18.3		18.4	18.7		19.1
% growth								
Loan growth (y-y)	(14.7)	33.3	20.0		15.0	18.0		18.0

Source: FSSIA estimates

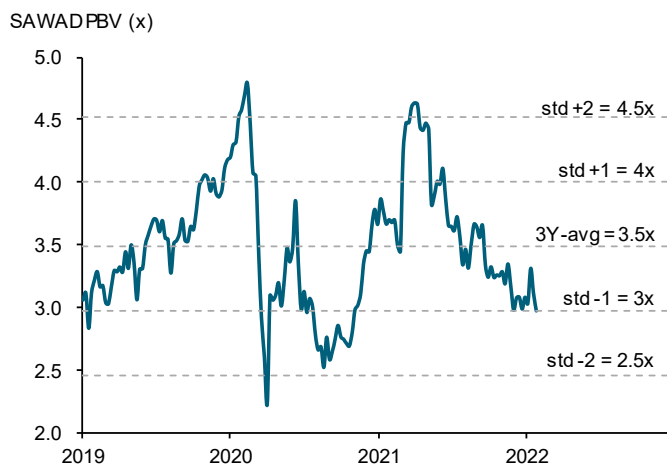
We revise down our 2022 GGM-based TP to THB74 from THB80, as we: 1) cut our EPS forecast, leading to a lower book value; and 2) revise down our target 2022 P/BV to 3.7x from 4.0x as a result of our lower average long-term ROE target of 21.4% from 22.5%.

Exhibit 11: SAWAD – GGM-derived target price

Target price (THB)	74 (from 80)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Cost to equity (%)	11.6 (unchanged)
Terminal growth (%)	7.8 (unchanged)
ROE target (%)	21.4 (from 22.5)
Target PBV (x)	3.7 (from 4.0)
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 and the Office of the Consumer Protection Board.

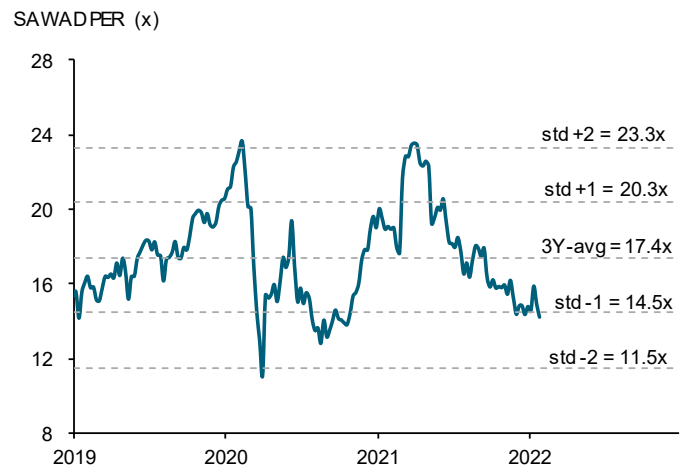
Source: FSSIA estimates

Exhibit 12: SAWAD – prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 13: SAWAD – prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 14: Thailand diversified financials – peers comparison

	BBG code	Rec	---Share price---		Up side (%)	Market Cap (USD m)	EPS growth		---- P/E ----		---- ROE ----		---- PBV ----	
			Current (THB)	Target (THB)			22E (%)	23E (%)	22E (x)	23E (x)	22E (%)	23E (%)	22E (x)	23E (x)
Diversified financials						24,539	18.8	23.3	22.4	18.1	17.4	17.5	3.3	3.0
Unsecured-loan lenders						6,400	11.6	9.2	20.1	18.4	23.4	22.2	4.4	3.9
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	200.00	204.00	2	1,530	13.9	7.4	11.1	10.3	21.1	19.6	2.2	1.9
Krungthai Card	KTC TB	HOLD	61.75	52.00	(16)	4,870	11.2	9.5	22.9	20.9	24.1	22.9	5.1	4.5
Auto-title lenders						9,129	19.1	21.9	19.4	15.9	19.2	20.2	3.4	2.9
Muangthai Capital	MTC TB	BUY	51.50	60.00	17	3,340	17.6	24.6	18.8	15.1	21.4	22.3	3.7	3.1
Srisawad Corp	SAWAD TB	BUY	58.25	74.00	27	2,447	15.5	19.3	15.1	12.6	20.2	21.8	2.9	2.6
Saksiam Leasing	SAK TB	BUY	9.25	12.00	30	593	38.5	25.9	23.0	18.3	16.2	18.1	3.5	3.1
Ngern Tid Lor	TIDLOR TB	BUY	38.75	43.00	11	2,749	18.6	20.1	23.2	19.3	16.1	16.9	3.5	3.1
Truck lenders						2,120	4.6	27.9	26.0	20.4	12.2	12.5	2.4	2.3
Micro Leasing	MICRO TB	BUY	7.30	10.70	47	209	45.1	26.8	25.1	19.8	13.2	15.0	3.2	2.8
Singer Thailand	SINGER TB	BUY	48.00	51.00	6	1,191	2.4	31.6	34.5	26.2	9.8	9.6	2.6	2.5
Ratchthani Leasing	THANI TB	BUY	4.16	4.80	15	721	(9.0)	13.6	12.4	10.9	15.9	16.7	1.9	1.7
Asset management						5,252	29.0	37.7	32.7	23.7	11.4	11.5	3.0	2.7
Bangkok Commercial Asset Mngt.	BAM TB	BUY	21.60	25.50	18	2,136	23.2	26.6	21.8	17.2	7.5	8.6	1.6	1.4
Chayo Group	CHAYO TB	BUY	12.00	16.60	38	371	44.4	17.2	36.2	30.9	10.6	9.4	3.2	2.5
JMT Network Services	JMT TB	BUY	65.50	70.00	7	2,745	29.5	46.0	40.7	27.9	14.5	14.1	4.0	3.8
Other						1,379	4.1	8.5	8.2	7.5	8.0	8.2	0.6	0.6
Thanachart Capital	TCAP TB	HOLD	43.00	42.00	(2)	1,379	4.1	8.5	8.2	7.5	8.0	8.2	0.6	0.6
Hire purchase motorcycle						259	35.1	25.7	20.1	16.0	19.3	20.5	3.6	3.0
Next Capital	NCAP TB	BUY	9.40	16.80	79	259	35.1	25.7	20.1	16.0	19.3	20.5	3.6	3.0

Share prices as of 4 Mar 2022

Sources: Bloomberg; FSSIA estimates

Financial Statements

Srisawad Corp

Profit and Loss (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Interest Income	8,166	6,855	7,481	9,028	11,172
Interest expense	(903)	(791)	(708)	(814)	(1,269)
Net interest income	7,263	6,065	6,774	8,214	9,903
Net fees & commission	1,315	1,516	1,895	2,085	2,293
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	2	1	0	0	0
Other income	1,510	1,681	1,933	2,126	2,339
Non interest income	2,827	3,198	3,828	4,211	4,632
Total income	10,090	9,262	10,602	12,425	14,535
Staff costs	(1,869)	(1,479)	(1,523)	(1,721)	(1,962)
Other operating costs	(1,918)	(1,997)	(2,086)	(2,323)	(2,626)
Operating costs	(3,787)	(3,476)	(3,609)	(4,045)	(4,588)
Pre provision operating profit	6,304	5,786	6,993	8,381	9,948
Provision for bad and doubtful debt	(321)	455	(159)	(330)	(520)
Other provisions	-	-	-	-	-
Operating profit	5,983	6,241	6,834	8,050	9,428
Recurring non operating income	0	(29)	11	69	78
Associates	0	(29)	11	69	78
Goodwill amortization	-	-	-	-	-
Non recurring items	0	178	0	0	0
Profit before tax	5,983	6,390	6,845	8,119	9,506
Tax	(1,192)	(1,352)	(1,298)	(1,562)	(1,886)
Profit after tax	4,791	5,038	5,547	6,558	7,621
Minority interests	(283)	(316)	(300)	(300)	(420)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,508	4,722	5,247	6,258	7,201
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	4,508	4,544	5,247	6,258	7,201
Per share (THB)					
Recurring EPS *	3.32	3.35	3.86	4.61	5.43
Reported EPS	3.32	3.48	3.86	4.61	5.43
DPS	1.80	1.74	1.93	2.30	0.27
Growth					
Net interest income (%)	13.3	(16.5)	11.7	21.3	20.6
Non interest income (%)	10.7	13.1	19.7	10.0	10.0
Pre provision operating profit (%)	16.0	(8.2)	20.9	19.8	18.7
Operating profit (%)	22.6	4.3	9.5	17.8	17.1
Reported net profit (%)	20.0	4.7	11.1	19.3	15.1
Recurring EPS (%)	17.2	0.8	15.5	19.3	17.9
Reported EPS (%)	14.5	4.7	11.1	19.3	17.9
Income Breakdown					
Net interest income (%)	72.0	65.5	63.9	66.1	68.1
Net fees & commission (%)	13.0	16.4	17.9	16.8	15.8
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.0	0.0	-	-	-
Other income (%)	15.0	18.1	18.2	17.1	16.1
Operating performance					
Gross interest yield (%)	21.28	18.75	20.20	20.50	21.50
Cost of funds (%)	3.62	3.51	3.55	3.65	4.40
Net interest spread (%)	17.66	15.24	16.65	16.85	17.10
Net interest margin (%)	18.9	16.6	18.3	18.7	19.1
Cost/income(%)	37.5	37.5	34.0	32.6	31.6
Cost/assets(%)	7.8	6.8	6.9	7.0	6.6
Effective tax rate (%)	19.9	21.2	19.0	19.2	19.8
Dividend payout on recurring profit (%)	54.2	52.0	50.0	50.0	5.0
ROE (%)	22.3	19.4	20.2	21.8	21.4
ROE - COE (%)	11.5	8.6	9.4	11.0	10.6
ROA (%)	9.8	9.5	10.6	11.4	11.0
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Financial Statements

Srisawad Corp

Balance Sheet (THB m) Year Ending Dec	2020	2021	2022E	2023E	2024E
Gross customer loans	39,450	33,668	40,402	47,674	56,256
Total provisions	(1,312)	(736)	(895)	(1,082)	(1,433)
interest in suspense	206	386	202	238	281
Net customer loans	38,344	33,318	39,709	46,831	55,104
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,838	2,689	3,253	3,013	3,775
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,306	1,334	1,367	1,408	1,456
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	10,519	12,626	9,947	9,532	17,538
Total assets	52,007	49,967	54,277	60,784	77,873
Customer deposits	5,234	170	170	170	178
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	20,731	18,967	20,558	23,687	33,667
Non interest bearing liabilities	1,972	3,855	4,048	4,250	4,463
Hybrid Capital	-	-	-	-	-
Total liabilities	27,937	22,992	24,775	28,107	38,308
Share capital	1,373	1,373	1,373	1,373	1,373
Reserves	20,712	23,325	25,805	28,934	35,775
Total equity	22,085	24,698	27,178	30,307	37,148
Minority interests	1,985	2,277	2,323	2,369	2,417
Total liabilities & equity	52,007	49,967	54,277	60,784	77,873
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	38,372	36,559	37,035	44,038	51,965
Average interest bearing liabilities	24,916	22,551	19,932	22,292	28,851
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)	1,480	1,249	1,436	1,795	2,244
Per share (THB)					
Book value per share	16.27	18.19	20.02	22.33	28.03
Tangible book value per share	16.27	18.19	20.02	22.33	28.03
Growth					
Gross customer loans	5.8	(14.7)	20.0	18.0	18.0
Average interest earning assets	13.1	(4.7)	1.3	18.9	18.0
Total asset (%)	14.4	(3.9)	8.6	12.0	28.1
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	(17.6)	(96.8)	-	-	5.0
Leverage & capital measures					
Customer loan/deposits (%)	732.6	19,610.5	23,372.0	27,563.5	30,888.6
Equity/assets (%)	42.5	49.4	50.1	49.9	47.7
Tangible equity/assets (%)	42.5	49.4	50.1	49.9	47.7
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	3.6	(15.6)	15.0	25.0	25.0
NPL/gross loans (%)	3.8	3.7	3.6	3.8	4.0
Total provisions/gross loans (%)	3.3	2.2	2.2	1.9	2.5
Total provisions/NPL (%)	88.7	58.9	62.3	60.3	63.9
Valuation					
Recurring P/E (x) *	17.5	17.4	15.1	12.6	10.7
Recurring P/E @ target price (x) *	22.3	22.1	19.1	16.1	13.6
Reported P/E (x)	17.5	16.7	15.1	12.6	10.7
Dividend yield (%)	3.1	3.0	3.3	4.0	0.5
Price/book (x)	3.6	3.2	2.9	2.6	2.1
Price/tangible book (x)	3.6	3.2	2.9	2.6	2.1
Price/tangible book @ target price (x)	4.5	4.1	3.7	3.3	2.6

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Srisawad Corp; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

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* 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 2020

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

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

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)

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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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Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Srisawad Corp	SAWAD TB	THB 58.25	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 and the Office of Consumer Protection Board.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 200.00	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 61.75	HOLD	Upside risks to our GGM-derived TP include: 1) stronger-than-expected growth for KTB Leasing; and 2) better-than-expected bad debt recovery. Downside risks are: 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Muangthai Capital	MTC TB	THB 51.50	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 and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 9.25	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Ngern Tid Lor	TIDLOR TB	THB 38.75	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Micro Leasing	MICRO TB	THB 7.30	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) a slower-than-expected reduction in the cost of funds due to a shift toward more long-term loans.
Singer Thailand	SINGER TB	THB 48.00	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality.
Ratchthani Leasing	THANI TB	THB 4.16	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand.
Bangkok Commercial Asset Mngt.	BAM TB	THB 21.60	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
Chayo Group	CHAYO TB	THB 12.00	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
JMT Network Services	JMT TB	THB 65.50	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.
Thanachart Capital	TCAP TB	THB 43.00	HOLD	Upside risks to our GGM-based target price are the faster-than-expected net profit contribution from Thanachart Plus. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TTB and THANI.
Next Capital	NCAP TB	THB 9.40	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for food delivery and logistics activities; 2) deteriorating asset quality; and 3) tighter competition from new players.

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 Finansia 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 Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 04-Mar-2022 unless otherwise stated.

RECOMMENDATION STRUCTURE**Stock ratings**

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

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.