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KEY HIGHLIGHTS

Strategy

Alpha Picks: Mar 24 Portfolio

Stick with tourism and beneficiaries of a weakening Thai baht. Switch TU to BTG.

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Results

Srisawad Corporation (SAWAD TB/HOLD/Bt37.50/Target: Bt42.00)

4Q23: Results in line; deterioration in asset quality but aligned with guidance. Upgrade to HOLD with an unchanged target price of Bt42.00.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,367.42	(3.25)	(0.24)
SET50	833.85	(2.34)	(0.28)
Value (Btm) - SET	43,193		
Top 5 Sector			
BANK	370.39	(0.24)	(0.06)
PETRO	701.16	(2.89)	(0.41)
PROP	224.22	(0.51)	(0.23)
ENERG	19,950.48	(82.65)	(0.41)
ICT	150.12	1.41	0.95

Source: Bloomberg

TOP VOLUME

Symbol	Close (Baht)	+/- (% Chg)	5-day ADT (BTm)
BDMS	30.00	5.26	1,577.3
ADVANC	209.00	1.95	1,112.1
SCB	111.00	0.00	1,914.7
AOT	64.25	1.18	1,633.1
BBL	145.00	1.05	1,211.8

TOP GAINERS

Symbol	Close (Baht)	+/- (% Chg)	5-day ADT (BTm)
JCKH	0.04	33.33	0.2
MORE	0.09	12.50	0.7
RABBIT	0.43	10.26	13.7
SCP	6.00	10.09	1.1
BROCK	1.75	9.38	0.0

TOP LOSERS

Symbol	Close (Baht)	+/- (% Chg)	5-day ADT (BTm)
TSE	1.32	(27.07)	8.3
TCOAT	25.00	(19.35)	0.0
BIZ	3.46	(13.50)	3.2
EMC	0.07	(12.50)	0.1
PSTC	0.52	(11.86)	6.2

*ADT: Average daily turnover

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	83.8	8.7	7.4	9.1
Dubai crude*	82.6	3.0	2.4	8.0
Baltic Dry Index	2,203.0	56.6	(34.2)	5.2
Gold Spot***	2,082.9	2.1	2.6	1.0

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(23.2)	(23.2)	(811.2)	(8,019.1)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 35.75

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%) - MLR = 7.10

STRATEGY – THAILAND

Alpha Picks: Mar 24 Portfolio

Our Alpha Picks underperformed the market (-1.9% vs +0.5%) in Feb 24. In Mar 24, the global market will focus on listed companies' 4Q23 earnings results. The SET index increased 0.5% in Feb 24. For Mar 24, our picks are ADVANC, BSRC, CPALL, CPF, EA, EGCO, ERW, MAJOR and BTG.

WHAT'S NEW

- Portfolio underperformed the market in February.** Our portfolio underperformed the market (-1.9% vs +0.5%) in Feb 24. The strongest performers were BSRC (14.5%), CPALL (10.0%) and CPF (1.6%) while the worst performers were EA (-11.3%), EGCO (-10.6%), and ADVANC (-8.2%).
- SET index slightly increased in February.** Last month, the SET index finished at 1,370.7pt, moving up 6.2pt. (+0.5 % mom) after a decline in the previous month. The market is driven by expectations on the earnings season, potential rate cut and additional curbs on short selling & programme trading.
- 4Q23 overall earnings were weak.** 4Q23 earnings were poor with total earnings of Bt162b (95% of SET Index), which was much lower than the normal baseline of Bt200b-250b. The consumer staple, healthcare, and banking sectors posted positive yoy earnings in 4Q23 while the technology and industrials sectors recorded negative yoy earnings.
- Considering a rate cut but not likely to happen soon.** The National Economics and Social Development Council (NESDC) announced a lower-than-expected 4Q23 GDP of 1.7% yoy (vs forecast of 2.4%) and 2023 GDP of 1.9% yoy (vs forecast of 2.2%). Market is expecting an early rate cut but we believe it would not occur soon given the current wide gap between US-Thai policy rate where the depreciating Thai Baht would cause a foreign outflow from the Thai equity market. We maintain our recommendation to focus on the beneficiaries of the weakening Thai baht as we think that the baht will continue to depreciate in the next 6-9 months until the policy rate differential has narrowed.
- The SET is planning to improve short selling and programme trading supervision.** The SET has launched a draft of measures to implement regulations on short selling and programme trading such as increasing market size for securities (more than Bt7,500m vs previous Bt5,000m), applying the uptick rule if share price plunges to a certain level, eg filtering unappropriated orders. The SET also intends to implement measures to prevent naked shorts or any unpropriated programme trading and extend cancellation period to reduce impact from high frequency trading.
- Tourism still the key growth engine.** The Prime Minister, Srettha, revealed that the government has set a goal for Thailand to become the number one country in the following aspects: a) tourism, b) wellness and medical, c) agricultural and food, d) aviation, e) logistic, f) future mobility, g) digital economy, and h) financial hubs as Thailand has many comparative advantages in natural resources, tourist attractions, and advanced infrastructure. The government has set a target to attract 35m international tourists and tourism would be a key driver to the economy especially the services sector.

ACTION

- Stick with tourism and beneficiaries of the weakening Thai baht.** Switch TU to BTG as we believe the livestock business has bottomed out in 4Q23 and expect a recovery in 2024. We are positive on agro-industrial stocks as defensive holdings throughout the year amid market turbulence. Currently, stocks in the livestock businesses are trading at 12-15x, below their five-year mean of 16-17x. They are under-owned as their fundamentals and key catalysts were not impressive in 2023. Meanwhile, we expect their earnings to recover in 1Q24 and throughout the year of 2024, due to: a) recovery in swine prices, and b) lower raw material costs, which provides an opportunity to accumulate.

KEY RECOMMENDATIONS

Company	Share Price 29 Feb 24 (Bt)	Target Price (Bt)	Upside/ (Downside) to TP (%)
ADVANC	201.00	262.00	30.35
BSRC	9.90	15.00	51.52
BTG	22.20	27.00	21.62
CPALL	57.50	79.00	37.39
CPF	18.90	22.00	16.40
EA	35.25	70.00	98.58
EGCO	117.50	150.00	27.66
ERW	4.74	6.50	37.13
MAJOR	13.90	18.00	29.50

Source: UOB Kay Hian

CHANGE IN SHARE PRICE

Company	Feb 24 (%)	To-date* (%)
ADVANC	(8.2)	(7.8)
BSRC	14.5	16.5
CPALL	10.0	(7.3)
CPF	1.6	1.6
EA	(11.3)	(16.1)
EGCO	(10.6)	(8.9)
ERW	(7.1)	(7.1)
MAJOR	(0.7)	(10.3)
TU	(5.3)	(0.7)
SET Index	0.5	

*Share price change since stock was selected as alpha pick

Source: UOB Kay Hian

PORTFOLIO RETURNS

(%)	2023	1Q23	2Q23	3Q23	4Q23
SET return	(15.2)	(3.6)	(6.6)	(2.1)	(3.8)
Alpha Picks Return					
- Price-weighted	(0.9)	2.2	(1.2)	(1.1)	(1.8)
- Market cap-weighted	(1.1)	0.8	(0.1)	(1.4)	(1.3)
- Equal-weighted	(4.2)	0.3	(5.5)	(2.3)	(1.5)

Assumptions for the three methodologies:

- Price-weighted: Assuming the same number of shares for each stock, a higher share price will have a higher weighting.
- Market cap-weighted: Weighting is based on the market cap at inception date, a higher market cap will have a higher weighting.
- Equal-weighted: Assuming the same investment amount for each stock, every stock will have the same weighting.

Source: UOB Kay Hian

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Analyst	Company	Rec	Performance	Catalyst
Kampon Akaravarinchai	ADVANC	BUY	(7.8)	Less competition in 2024
Arsit Pamaranon	BSRC	BUY	16.5	Synergies with BCP
Kampon Akaravarinchai	BTG	BUY		Swine and poultry prices and raw material costs of animal feeds
Kampon Akaravarinchai	CPALL	BUY	(7.3)	Strong gross margin improvement in 2024
Kampon Akaravarinchai	CPF	BUY	1.6	Increase in China's swine prices
Kasemsun Koonara	EA	BUY	(16.1)	Higher-than-expected EV deliveries
Arsit Pamaranon	EGCO	BUY	(8.9)	Contribution from gas-fired power plants in the US
Benjaphol Suthwanich	ERW	BUY	(7.1)	Government stimulus package in attracting foreign tourists
Tanaporn Visaruthaphong/ Thachasorn Jutagon	MAJOR	BUY	(10.3)	More blockbuster movies
Kampon Akaravarinchai	TU	BUY	(0.7)	Dropped

* Denotes a timeframe of 1-3 months and not UOBKH's usual 12-month investment horizon for stock recommendation

Share price change since stock was selected as alpha pick

Source: UOB Kay Hian

ADVANC - BUY (Kampon Akaravarinchai)

- Strengthened core business outlook. We expect ADVANC's core business in fixed broadband and mobile network operators to be more resilient in the long term. This will be on the back of: a) less competition after the M&A of TRUE-DTAC, and b) the acquisition of 3BB which will turn ADVANC to be number one fixed broadband (FBB) provider in Thailand. These should be the key growth drivers to ADVANC in short to medium term.
- Although we expect some short-term impact from the consolidation of 3BB in 2024, this should be mostly in line with market expectation.
- The company is riding the new wave of growth with global innovations. We foresee new s-curve of growth opportunities for ADVANC such as the rolling out of data centres from foreign companies to Thailand, virtual banking, and tech collaboration with global companies.
- Strong core business operation with high dividend yield. It is a high dividend yield play in Thailand - a large cap stock with 3.5-4.0% dividend yield per year. Maintain BUY with a target price of Bt262.00.

SHARE PRICE CATALYST

- Less competition in 2024.

BSRC- BUY (Arsit Pamaranon)

- We are positive on BSRC's operations in 2024. Thus far in 1Q24, Singapore's benchmark GRM has increased to US\$8.10/bbl qtd due to strong gasoline spreads. In addition, we expect BSRC's utilisation rate to rise to 86% (150kbd) in 1Q24. We also foresee opex dropping to only US\$1.00/bbl from US\$1.50-2.00/bbl as its merger with Bangchak Corporation (BCP) has resulted in economies of scale in crude supply logistics. We also expect BSRC to successfully re-brand its 270 ESSO petrol stations sites to Bangchak petrol stations with a higher sales proportion of premium products.
- GRM sensitivity. For every US\$1/bbl increase, we estimate that 2024 net profit will increase Bt1.6b, resulting in an additional EPS of Bt0.5/share, and a rise in target price by another Bt5/share.
- Maintain BUY with a target price of Bt15.00. We value BSRC at 11x 2024F PE, in line with regional peers.

SHARE PRICE CATALYST

- Synergies with BCP.

Betagro - BUY (Kampon Akaravarinchai, Sarit Srinavakul)

- BTG is an integrated agro-industrial company that manufactures agricultural food products, animal feed, livestock, and animal health products, and also offers processed food products for humans. BTG operates both owned and contracted farming. Its key exporting markets are the UK, EU, Japan, Singapore, Hong Kong, and China for both branded and OEM product offerings.
- For 2024-25 outlook, we foresee solid demand for animal feed for fattening swine and poultry, as Thai Feed Mill Association (TFMA) predicts a robust growth of 38% (8.1m tons) and 24% (5.1m tons) respectively which we believe could significantly benefit BTG since animal feed accounts for 25-30% of total sales. Moreover, we also anticipate a recovery of swine and poultry prices by 1H24, on the back of less illegally imported pork and a downward trend of feed costs (eg corn and imported soybean prices dropped 16% and 10% qoq respectively in 4Q23).
- Maintain BUY with a target price of Bt27.00 based on 2024F EPS of Bt1.58, with forward PE of CPF's five-year mean of 17x excluding the abnormal period of 4Q22-1Q23. We are still positive on its earnings outlook, as we anticipate improvement in ASP for domestic swine and poultry, as well as continued declining feed costs in 2024.

SHARE PRICE CATALYST

- Event: Higher swine and poultry prices and lower raw material costs of animal feeds. The economy of the key exporting markets (eg the EU, US, China and Japan). Introduction of higher margin product mix, and Betagro shop expansion.
- Timeline: 1H24.

CPALL - BUY (Kampon Akaravarinchai)

- CP All (CPALL) is the operator of Thai 7-Eleven stores, controlling more than 50% of the convenience store market in Thailand.
- Overall, we still see positive earnings momentum in 1Q24 on the back of: a) positive SSS growth in 1Q24 of 3-5% yoy for CPALL, Makro wholesales and Lotus hypermarkets, b) yoy improvement in gross margin following higher contribution from high margin products to total sales, and c) fuel adjustment charge (Ft) rate (at the given time) declining by 22% yoy. We expect 2024 net profit to grow 16.6% yoy, driven by improvements in both top-line and gross profit margin.
- Maintain BUY with a higher target price of Bt79.00. Our target price is pegged to 33x 2024F PE, which is equivalent to CPALL's five-year mean from 2017-19 and 2022-23 where we excluded the abnormal period of the COVID-19 pandemic during 2020-21. We remain positive on CPALL's earnings outlook in 2024 and long-term business outlook. CPALL is trading at 24x 2024F PE, equivalent to -1.5SD to its five-year mean.

SHARE PRICE CATALYST

- a) Strong gross margin improvement in 2024, b) lower SGA-to-sales following the decrease in electricity costs, and c) the government's stimulus packages in 2024.

CPF - BUY (Kampon Akaravarinchai)

- CPF is Thailand's leading conglomerate and engages in the agro-industrial processing of feed, farm and food.
- We expect a more promising 2024 outlook for CPF, driven by both operational improvement and business restructuring. 2024 earnings growth will be driven by: a) ASP hikes in its key countries of operation, b) lower raw material costs, and c) its divestment of loss-making businesses. Therefore, CPF looks set to deliver a strong earnings turnaround in 2024. We estimate 2024 net profit at Bt11,054m, up from a net loss of Bt5,207m in 2023.
- Maintain BUY with a higher target price of Bt22.00 based on 2024 EPS of Bt1.31. We adopt the PE valuation method and peg the stock to 17x 2024F PE, the forward PE of CPF's five-year mean excluding the period 4Q22-1Q23 when livestock price trends saw unusual changes. We foresee higher swine prices in 2024, as the illegal swine supply starts to slow down due to stricter import regulations. Also, we expect the divestment of loss-making businesses to bear fruit in 2024.

SHARE PRICE CATALYST

- Event: a) Increase in China's swine prices, b) recovery of domestic swine and chicken prices in 2024, and c) a decline in raw material prices.
- Timeline: 2024.

EA (Tanaporn Visaruthaphong, Kasemsun Koonnara)

- EA and its subsidiaries operate three businesses: a) biodiesel, b) renewable power plants, and c) battery and electric vehicles (EV).
- There is a positive outlook for revenue growth in the EV and battery businesses. The company is in a favourable position to benefit from industry incentives. Additionally, the current valuation of EA's share suggests that it may be undemanding, with a 22x 2024F PE ratio or below -1SD
- Maintain BUY with a lower target price of Bt70.00. We value EA's renewable power plant business at Bt40.40/share, based on DCF. The cash flow is discounted to 2024. We value the biodiesel business at Bt0.90/share, assuming 20x 2024F PE. In addition, the battery & EV businesses are valued at Bt28.70/share.

SHARE PRICE CATALYST

- Higher-than-expected EV deliveries.
- Better-than-expected performance in the biodiesel business and the power business.

EGCO - BUY (Arsit Pamaranont)

- We expect EGCO's overall operations to improve yoy and qoq in 1Q24, supported by seasonal power demand for its independent power production (IPP) business in Thailand with higher Ft rates for its solar production power (SPP) business. We foresee a higher equity income contribution from three gas-fired power plants in the US, projected at Bt600m-800m/year, accounting for 6-8% of 2024 core profit.
- GRM sensitivity. For every US\$1/bbl increase, we estimate that 2024 net profit will increase Bt1.6b, resulting in an additional EPS of Bt0.5/share, and a rise in the target price by another Bt5/share.
- Maintain BUY but lower target price to Bt150.00, based on DCF valuation (WACC: 6.2%). We are still positive on EGCO for its 5.2% dividend yield for 2024. We also believe its share price has already priced in the negative news.

SHARE PRICE CATALYST

- Contribution from gas-fired power plants in the US.

ERW- BUY (Benjaphol Suthwanish/ Nonpawit Vathanadachakul)

- The Erawan Group (ERW) is a leading hotel investment company in Thailand. Its hotel portfolio has luxury to mid-scale and economy hotels across Thailand's major tourist destinations with an expansion plan for hotels in the Philippines and Japan.
- We expect 1Q24 earnings to rise yoy and qoq, driven by: a) the return of Chinese tourists during the Lunar New Year festival, and b) Visa-free travel policy implemented for tourists from various destinations.
- Maintain BUY with a target price of Bt6.50. Our valuation is based on EV/EBITDA multiple to 18x, 1SD above its historical trading levels. ERW is our top pick as it has delivered a strong operating performance, with earnings in FY23 surpassing pre-COVID-19 levels despite international traveler numbers not yet returning to normal.

SHARE PRICE CATALYST

- Event: Government stimulus package in attracting foreign tourists.
- Strong room rate growth driven by demand especially during high seasons.

MAJOR- BUY (Tanaporn Visaruthaphong/ Thachasorn Jutaganon)

- Major Cineplex Group (MAJOR) is a cinema operator with related businesses like bowling, karaoke, rentals, cinema media and film distribution.
- Due to a continuously strong line-up of blockbusters and Thai movies, we expect MAJOR to report robust earnings of Bt1.1b (+20% yoy), chiefly underpinned by admission revenue (from selling movie tickets). In 2024, the line-up of movies includes: Dune: Part Two (1Q24), Godzilla x Kong: The New Empire (2Q24), Deadpool 3 (3Q24), Kraven the Hunter (3Q24), and The Lord of the Rings: The War of the Rohirrim (4Q24).
- Maintain BUY with a target price of Bt18.00. Our target price is based on 13x 2024F PE and -1SD to its five-year PE mean. We still like MAJOR as we expect to see strong 2024 earnings due to the high number of movies released, which include both blockbusters and Thai movies. Also, the stock is also less impacted by advertising expenditure compared with other players in the media industry.

SHARE PRICE CATALYST

- Event: More blockbuster movies, growth in cinema advertising income, recovery in the economy that could accelerate consumer spending, and a higher level of GDP.
- Timeline: 1H24.

VALUATION

Company	Ticker	Rec.	Last Price	Target	Upside	Market Cap	PE			EPS	PEG	P/B	Yield	ROE
			29 Feb 24 (Bt)	Price (Bt)	Downside (%)		(US\$m)	2022 (x)	2023F (x)	2024F (x)	Growth 2024F (%)	2024F (x)	2024F (x)	2024F (%)
Advanced Info Service	ADVANC TB	BUY	201.00	262.00	30.35	16,592	23.0	20.4	18.6	9.5	2.1	5.9	3.8	33.1
Bangchak Sriracha	BSRC TB	BUY	9.90	15.00	51.52	951	3.6	16.0	7.5	113.8	0.1	1.1	6.6	15.7
Betagro	BTG TB	BUY	22.20	27.00	21.62	1,192	5.4	n.a.	14.0	319.2	na	1.5	2.1	11.5
CP All	CPALL TB	BUY	57.50	79.00	37.39	14,336	38.9	27.9	24.0	16.6	1.7	4.2	2.1	6.9
Charoen Pokphand Foods	CPF TB	BUY	18.90	22.00	16.40	4,517	11.7	n.a.	14.4	312.3	na	0.7	3.2	3.8
Energy Absolute	EA TB	BUY	35.25	70.00	98.58	3,649	17.3	17.3	18.0	(4.2)	(4.2)	2.5	0.9	14.9
Electricity Generating	EGCO TB	BUY	117.50	150.00	27.66	1,717	23.1	n.a.	7.4	200.1	na	0.6	5.7	7.8
The Erawan Group	ERW TB	BUY	4.74	6.50	37.13	596	n.a.	32.9	27.5	19.4	1.7	3.0	1.6	11.3
Major Cineplex Group	MAJOR TB	BUY	13.90	18.00	29.50	345	49.3	12.3	10.6	16.3	0.8	2.3	9.5	19.0

Source: UOB Kay Hian

COMPANY RESULTS

Srisawad Corporation (SAWAD TB)

4Q23: Results In Line; Deterioration In Asset Quality But Aligned With Guidance

SAWAD reported 4Q23 earnings of Bt1,267m (+4% yoy, -9% qoq). The results were in line with our and consensus expectations. SAWAD's share price has plunged 7.4% ytd and 33.3% since our downgrading (May 23: Bt56.25). Although there are several headwinds, we believe the negative concerns have been reflected in the share price. We reckon the market will shift its focus to the rate cut in late-24. SAWAD will be one of the beneficiaries of the new rate cut cycle. Upgrade to HOLD. Target price: Bt42.00.

RESULTS

- Results in line with our and consensus expectations.** Srisawad Corporation (SAWAD) reported 4Q23 earnings of Bt1,267m, up 4% yoy but down 9% qoq. The results were in line with our and consensus expectations. The company's loans growth surged 71% yoy, resulting from consolidation of its previous JV company Fast Money (FM) in 30 Jun 23. Meanwhile, company's loans grew 5% qoq. The non-performing loan (NPL) ratio increased from 2.7% to 3.1% in 4Q23.

STOCK IMPACT

- NII softened qoq.** SAWAD reported net interest income (NII) of Bt3.79b in 4Q23, increasing 49% yoy, resulting from the consolidation of FM which was reflected in the 3Q23 income statement. Meanwhile, NII declined 4% qoq (3Q23: +34% qoq, 2Q23: +7% qoq). The NII contraction qoq was attributed to the reduction in interest income qoq and the rising interest expenses qoq. Also, NIM contracted 150bp qoq to 15.6%.
- Deterioration in asset quality as expected.** SAWAD's provision expenses surged 349% yoy and 111% qoq. Therefore, company's credit cost soared 172bp yoy and 140bp qoq. Although the company aggressively cleaned up its portfolio since Jun 23, the new NPL formation in 4Q23 remained high qoq. On a positive note, the loan loss coverage (LLC) ratio increased by 3bp qoq to 61% in 4Q23. Management reiterated that SAWAD's NPL ratio will continue to rise until 2Q24. The company aims to return its NPL ratio to the pre-COVID-19 level of 3-4%. This adjustment is planned as the company intends to relax its lending policy, seizing the opportunity presented by the economic recovery. In addition, management guided for its 2024 credit cost to not exceed 180bp. Management also elaborated that the fierce competition in new motorcycle hire-purchase (HP) has weakened. Currently, the company adopted a tighter credit policy to achieve higher asset quality. The losses on the new motor HP should normalise in 2Q24.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net interest income	7,918	13,478	16,703	18,859	21,329
Non-interest income	3,496	3,171	3,347	3,338	3,285
Net profit (rep./act.)	4,476	5,001	5,457	6,228	6,858
Net profit (adj.)	4,476	5,001	5,457	6,228	6,858
EPS (Bt)	3.3	3.6	4.0	4.5	5.0
PE (x)	11.5	10.3	9.4	8.3	7.5
P/B (x)	2.0	1.8	1.7	1.5	1.4
Dividend yield (%)	4.8	4.8	5.4	6.2	6.8
Net int margin (%)	16.5	16.9	15.3	14.9	14.8
Cost/income (%)	47.7	49.7	49.6	49.2	48.9
Loan loss cover (%)	54.0	61.0	90.0	110.0	132.0
Consensus net profit	-	-	5,584	6,293	8,295
UOBKH/Consensus (x)	-	-	0.98	0.99	0.83

Source: Srisawad Corp. Pcl, Bloomberg, UOB Kay Hian

HOLD

(Upgraded)

Share Price	Bt37.50
Target Price	Bt42.00
Upside	+12.0%

COMPANY DESCRIPTION

The company provides unsecured financial products, credit card products and services, and personal loans to consumers in Thailand.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	SAWAD TB
Shares issued (m):	1,373.2
Market cap (Btm):	51,493.2
Market cap (US\$m):	1,433.5
3-mth avg daily t'over (US\$m):	8.3

Price Performance (%)

52-week high/low	Bt60.75/Bt37.50			
1mth	3mth	6mth	1yr	YTD
(3.2)	(15.3)	(25.0)	(31.8)	(7.4)

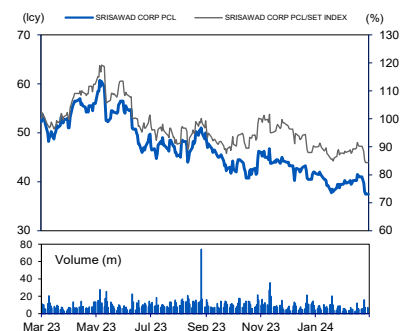
Major Shareholders

THIDA KAEWBOOTTA	14.9
Thai NVDR	9.8
UBS AG SINGAPORE BRANCH	8.4

FY24 NAV/Share (Bt) 22.47

FY24 Solvency Ratio (%)

PRICE CHART



Source: Bloomberg

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Thanawat Thangchadakorn

• **Propose stock dividend and cash dividend.** SAWAD informed the Stock Exchange of Thailand (SET) that it will pay a stock dividend for existing shareholders in the ratio of 10 current shares for 1 dividend share with a total amount of Bt137m, equivalent to Bt0.10 per share. Meanwhile, the company will pay a cash dividend of Bt0.0115 per share. The total value of the dividend will be Bt0.1115 per share, implying that there will be just stock dividends. The dividend payment is expected to occur on 23 May 24, after the approval of the resolution from the shareholder meeting. Management also describes that the company used to pay dividends in cash in the past three years according to the low growth opportunity. Currently, the company intends to grow loans by 20% in 2024. Therefore, SAWAD needs to utilise the cash to fund its growth strategy.

EARNINGS REVISION/RISK

NET PROFIT FORECASTS

(Btm)	2024F	2025F	2026F
Old	5,494	6,183	
New	5,457	6,229	6,860
% chg	-0.7%	0.7%	

Source: UOB Kay Hian

• We slightly revised SAWAD's 2024-25 earnings forecasts by -0.7% and +0.7%, respectively, after the earnings results. There was no change in our assumption.

VALUATION/RECOMMENDATION

• **Upgrade to HOLD with an unchanged target price of Bt42.00.** SAWAD's share price has plunged 7.4% ytd and 33.3% since our downgrading (17 May 23: Bt56.25). In addition, the current share price fell behind our target price at Bt42.00. Although there are several headwinds for the company's earnings outlook, we believe the negative concerns have been reflected in the share price. We reckon the market will shift its focus to the rate cut in late-24. SAWAD will be one of the beneficiaries of the new rate cut cycle. We upgraded SAWAD from SELL to HOLD with an unchanged target price of Bt42.00. Our target price is based on the Gordon Growth Model and implies 10.6x 2024F PE, slightly lower than -1.5SD to its five-year mean.

SHARE PRICE CATALYST

- Brighter NPL outlook due to the economic recovery.
- Potential policy rate cut in late-24.

4Q23 RESULTS

Year to 31 Dec (Btm)	4Q23	3Q23	4Q22	qoq chg (%)	yoy chg (%)
Total gross loans	100,399	95,947	58,830	4.6	70.7
Net interest income	3,797	3,956	2,552	(4.0)	48.7
Non-interest income	767	605	902	26.8	(14.9)
Loan loss provision	(664)	(316)	(148)	110.6	348.6
Non-Interest expenses	(2,281)	(2,447)	(1,692)	(6.8)	34.8
Pre-provision operating profit	2,283	2,115	1,762	8.0	29.6
Net income	1,267	1,387	1,213	(8.7)	4.4
EPS (Bt)	0.92	1.01	0.88	(8.7)	4.4
Ratio (%)					
NPL ratio (%)	3.1	2.7	2.5		
Loan loss coverage ratio (%)	61	58	54		
Net interest margin (NIM %)	15.6	17.1	18.7		
Credit cost (bp)	281	141	109		
Cost to income (%)	50.0	53.6	49.0		
Number of network store	5,463	5,430	5,316		
Baseline Total Loans/Store	18.2	17.5	10.9		

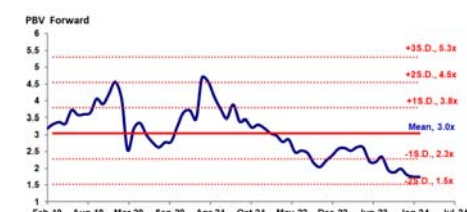
Source: SAWAD, UOB Kay Hian

PE BAND



Source: SAWAD, UOB Kay Hian

P/B BAND



Source: SAWAD, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Interest income	15,744	20,129	22,791	25,634
Interest expense	(2,266)	(3,426)	(3,932)	(4,305)
Net interest income	13,478	16,703	18,859	21,329
Fees & commissions	3,171	3,347	3,338	3,285
Other income	0	0	0	0
Non-interest income	3,171	3,347	3,338	3,285
Total income	16,648	20,050	22,197	24,614
Staff costs	(8,282)	(9,939)	(10,920)	(12,044)
Other operating expense	0	0	0	0
Pre-provision profit	8,367	10,111	11,277	12,570
Loan loss provision	(1,763)	(3,186)	(3,373)	(3,866)
Other provisions	0	0	0	0
Associated companies	26	0	0	0
Other non-operating income	0	0	0	0
Pre-tax profit	6,629	6,925	7,904	8,704
Tax	(1,375)	(1,385)	(1,581)	(1,741)
Minorities	(253)	(83)	(95)	(105)
Net profit	5,001	5,457	6,228	6,858
Net profit (adj.)	5,001	5,457	6,228	6,858

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Cash with central bank	3,962	5,854	6,700	9,019
Govt treasury bills & securities	0	0	0	0
Interbank loans	0	0	0	0
Customer loans	98,569	113,972	128,794	143,919
Investment securities	0	0	0	0
Derivative receivables	0	0	0	0
Associates & JVs	0	0	0	0
Fixed assets (incl. prop.)	764	635	646	700
Other assets	8,170	9,104	10,007	10,943
Total assets	111,465	129,565	146,147	164,581
Interbank deposits	0	0	0	0
Customer deposits	30,867	40,997	46,220	51,990
Derivative payables	0	0	0	0
Debt equivalents	43,641	46,749	54,334	62,802
Other liabilities	5,761	8,024	8,859	9,824
Total liabilities	80,268	95,770	109,413	124,617
Shareholders' funds	28,177	30,858	33,893	37,228
Minority interest - accumulated	3,020	2,937	2,841	2,737
Total equity & liabilities	111,465	129,565	146,147	164,581

OPERATING RATIOS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Capital Adequacy				
Total assets/equity (x)	4.0	4.2	4.3	4.4
Tangible assets/tangible common equity (x)	4.3	4.5	4.6	4.8
Asset Quality				
NPL ratio	3.1	4.0	4.4	4.5
Loan loss coverage	61.0	90.0	110.0	132.0
Loan loss reserve/gross loans	0.7	0.6	0.5	0.5
Increase in NPLs	116.4	51.2	26.5	17.0
Credit cost (bp)	84.3	70.0	51.0	51.0
Liquidity				
Loan/deposit ratio	132.1	130.5	130.8	129.8
Liquid assets/short-term liabilities	12.3	13.4	13.7	16.4
Liquid assets/total assets	3.6	4.5	4.6	5.5

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Growth				
Net interest income, yoy chg	70.2	23.9	12.9	13.1
Fees & commissions, yoy chg	(9.3)	5.6	(0.3)	(1.6)
Pre-provision profit, yoy chg	40.1	20.9	11.5	11.5
Net profit, yoy chg	11.7	9.1	14.1	10.1
Net profit (adj.), yoy chg	11.7	9.1	14.1	10.1
Customer loans, yoy chg	69.7	15.6	13.0	11.7
Profitability				
Net interest margin	16.9	15.3	14.9	14.8
Cost/income ratio	49.7	49.6	49.2	48.9
Adjusted ROA	5.5	4.5	4.5	4.4
Reported ROE	18.6	18.5	19.2	19.3
Adjusted ROE	18.6	18.5	19.2	19.3
Valuation				
P/BV (x)	1.8	1.7	1.5	1.4
P/NTA (x)	2.0	1.8	1.7	1.5
Adjusted P/E (x)	10.3	9.4	8.3	7.5
Dividend Yield	4.8	5.4	6.2	6.8
Payout ratio	49.4	50.9	51.3	51.4

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