

COMPANY UPDATE

Thanachart Capital (TCAP TB)

2Q24 Results Preview: Expect Earnings To Increase qoq

We expect TCAP to post a 2Q24 net profit of Bt1,779m (flat yoy, +1% qoq) and its non-II (which contributed 85% of TCAP's total revenue in 1Q24) to grow 10% yoy and 3% qoq in 2Q24. TTB is likely to post decent 2Q24 results and deliver a strong share of profit from investment in associates to TCAP. However, we foresee higher credit cost in 2Q24 due to an uneven economic recovery. Meanwhile, the NPL ratio should stabilise. We maintain HOLD with a lower target price of Bt52.00.

2024 RESULTS PREVIEW

Year to 31 Dec (Btm)	2Q24F	1Q24	2Q23	qoq chg (%)	yoy chg (%)
Total gross loans	67,748	65,298	68,105	3.8	(0.5)
Net interest income	801	773	861	3.7	(7.0)
Non-interest income	4,551	4,399	4,130	3.4	10.2
Loan loss provision	(259)	(131)	(129)	97.9	100.5
Non-Interest expenses	(989)	(842)	(876)	17.5	12.9
Pre-provision operating profit	2,356	2,208	2,296	6.7	2.6
Net income	1,779	1,762	1,777	1.0	0.1
EPS (Bt)	1.70	1.68	1.69	1.0	0.1
Ratio (%)					
NPL ratio (%)	2.7	2.7	2.2		
Loan loss coverage ratio (%)	162	163	182		
Net interest margin (NIM %)	3.4	3.3	3.8		
Credit cost (bp)	156	79	76		
Cost to income (%)	18	16	18		
Return on Equity (%)	9.9	9.9	10.4		

Source: TCAP, UOB Kay Hian

WHAT'S NEW

- **Expect 2Q24 net profit to rise qoq.** We expect Thanachart Capital's (TCAP) 2Q24 net profit to come in at Bt1,779m, flat yoy and up 1% qoq. The qoq increase can be attributed to more robust non-interest income (non-II). We expect non-performing loan (NPL) to remain at 2.7% in 2Q24. Excluding the provision expenses, TCAP's pre-provision operating profit (PPOP) should increase 3% yoy and 7% qoq. According to the dividend outlook, Management guided that TCAP will maintain a dividend payout similar with previous payments. We believe that investors who already own TCAP should continue to hold for its expected dividend yield of 7-8% in 2024.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net interest income	3,004	3,374	3,180	3,257	3,452
Non-interest income	14,293	16,858	17,765	18,524	19,201
Net profit (rep./act.)	5,220	6,603	6,959	7,378	7,969
Net profit (adj.)	5,220	6,603	6,959	7,378	7,969
EPS (Bt)	5.0	6.3	6.6	7.0	7.6
PE (x)	9.3	7.4	7.0	6.6	6.1
P/B (x)	0.7	0.7	0.7	0.6	0.6
Dividend yield (%)	6.4	6.7	7.7	7.9	8.7
Net int margin (%)	3.6	3.7	3.4	3.2	3.3
Cost/income (%)	55.5	55.9	56.9	56.4	54.8
Loan loss cover (%)	199.0	166.0	172.0	182.0	194.0
Consensus net profit	-	-	6,982	7,550	8,051
UOBKH/Consensus (x)	-	-	1.00	0.98	0.99

Source: Thanachart Capital, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Bt46.50
Target Price	Bt52.00
Upside	+11.8%
(Previous TP)	Bt53.00

COMPANY DESCRIPTION

The company operates an investment business and is the parent company of Thanachart Group. It operates a wide range of financial businesses, including hire purchase, non-life and life insurance, securities brokerage, asset-based financing, non-performing asset management, and investment.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	TCAP TB
Shares issued (m):	1,048.6
Market cap (Btm):	48,760.1
Market cap (US\$m):	1,324.2
3-mth avg daily t'over (US\$m):	2.4

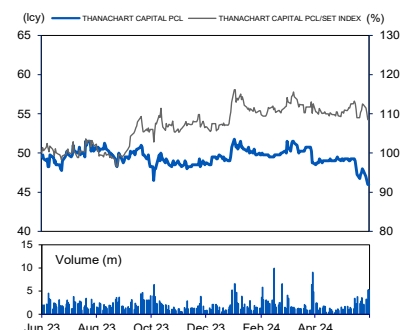
Price Performance (%)

52-week high/low	Bt51.75/Bt46.50
1mth	(5.6)
3mth	(7.5)
6mth	(5.1)
1yr	(5.6)
YTD	(6.1)

Major Shareholders

	%
MBK	9.7
NVDR	8.2
Chase Nominees	4.2
FY24 NAV/Share (Bt)	70.11
FY24 CAR Tier-1 (%)	0.00

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- Expect non-II to increase yoy and qoq in 2Q24.** We expect non-II, which contributed 85% of TCAP's total revenue in 1Q24, to grow by 10% yoy and 3% qoq in 2Q24. Insurance income, which contributed the highest portion of non-II at 61% in 1Q24, will decrease marginally by 1% qoq in 2Q24. Meanwhile, share of profit from investment in associates contributed 31% of non-II in 1Q24, which was the second highest contribution. We forecast TMBThanachart Bank (TTB), an associate company in which TCAP holds a stake of 24.93%, will post a marginal 0.8% qoq decrease in its 2Q24 earnings. We estimate that the share of profit from investment in associates will increase by 16% yoy but decline 1% qoq.
- A continued decrease in used truck price index will pressure asset quality.** Given an uneven economic recovery, we expect TCAP's NPL ratio to remain at 2.7% in 2Q24. In addition, we expect TCAP's credit cost to increase by 77bp qoq from 79bp in 1Q24 to 156bp in 2Q24. Meanwhile, loan-loss coverage (LLC) ratio is expected to decline by 1ppt to 162% in 2Q24. The main drag is anticipated to come from Ratchthani Leasing (THANI), TCAP's subsidiary, which has a significant loan exposure to truck hire-purchase (HP) of around 70%. Although management disclosed that THANI is implementing a prudent lending approach, we expect THANI to post weak earnings results in 2Q24 due to losses from sales of foreclosed assets. The used truck price index continued to slump to 68.22 as of Apr 24, compared with Jan 24's 80.07.

NET PROFIT FORECASTS

(Btm)	2024F	2025F	2026F
Old	6,839	7,567	8,036
New	6,959	7,378	7,969
% chg	1.7%	-2.5%	-0.8%

Source: UOB Kay Hian

- We revise TCAP's 2024-26 earnings forecasts by +1.7%, -2.5%, and -0.8%, respectively.

VALUATION/RECOMMENDATION

- Maintain HOLD with a lower target price of Bt52.00** using the Gordon Growth Model. Our target price implies 0.7x 2024F P/B, which is its historical five-year mean.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

CG Report: 5 SET ESG Rating: A
Environmental <ul style="list-style-type: none"> Energy management. Campaign for saving electricity and turning off appliances after use. Greenhouse gas management. Assigns a person to be responsible for directly overseeing the use of electrical equipment.
Social <ul style="list-style-type: none"> Cybersecurity and personal data protection. Thanachart Group is aware of the importance of maintaining the security of customer data, employee data, and confidential company information. Respect for human rights and diversity. Thanachart Group upholds important principles to respect human rights and will treat stakeholders with equality, uniformity, and indiscriminate consideration.
Governance <ul style="list-style-type: none"> Good corporate governance. The Board shall ensure that Thanachart Group has a sound risk governance framework, adequate audit process, internal control system, risk management, and managerial regulation. Anti-corruption. No support for businesses, groups of individuals, or individuals engaged in undeserved exploitation, resulting from the abuse of power and duties.

Source: TCAP, UOB Kay Hian

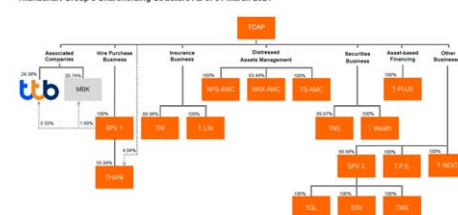
RESULTS OF SUBSIDIARIES IN 1Q24

Subsidiaries	%Shareholding	----- Net Profit (Btm) -----		
		1Q24	4Q23	1Q23
THANI	60.88%	343	162	450
TNI	89.96%	212	90	211
TNS	89.97%	66	64	102
TS AMC	100.00%	(6)	(5)	71
MAX AMC	83.44%	(3)	(8)	(4)
NFS AMC	100.00%	(10)	(11)	(10)
T LIFE	100.00%	(24)	(78)	(51)
T-PLUS	100.00%	16	13	32

Source: TCAP, UOB Kay Hian

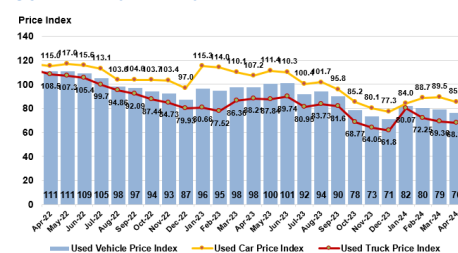
TCAP'S SHAREHOLDING STRUCTURE (31 MAR 24)

Thanachart Group's Shareholding Structure As of 31 March 2024



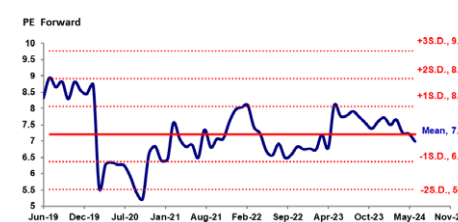
Source: TCAP, UOB Kay Hian

USED-VEHICLE PRICE INDEX



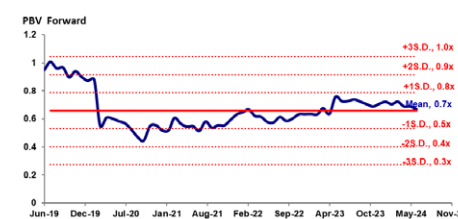
Source: BOT, UOB Kay Hian

PE BAND



Source: TCAP, UOB Kay Hian

P/B BAND



Source: TCAP, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Interest income	5,338	5,402	5,530	5,541
Interest expense	(1,964)	(2,221)	(2,273)	(2,089)
Net interest income	3,374	3,180	3,257	3,452
Fees & commissions	782	867	846	866
Other income	16,076	16,898	17,679	18,335
Non-interest income	16,858	17,765	18,524	19,201
Total income	20,232	20,946	21,781	22,653
Staff costs	(2,058)	(2,220)	(2,582)	(2,689)
Other operating expense	(9,256)	(9,702)	(9,694)	(9,736)
Pre-provision profit	8,918	9,024	9,506	10,229
Loan loss provision	(1,016)	(819)	(807)	(832)
Pre-tax profit	7,902	8,205	8,699	9,397
Tax	(695)	(606)	(642)	(694)
Minorities	(604)	(641)	(679)	(734)
Net profit	6,603	6,959	7,378	7,969
Net profit (adj.)	6,603	6,959	7,378	7,969

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Cash with central bank	7	7	7	8
Govt treasury bills & securities	20,158	20,915	21,996	22,486
Interbank loans	4,208	7,068	6,959	7,162
Customer loans	64,583	66,837	70,382	71,745
Investment securities	1,712	1,860	1,963	2,005
Derivative receivables	124	166	172	175
Associates & JVs	59,324	60,938	60,938	60,938
Fixed assets (incl. prop.)	5,180	5,063	5,244	5,301
Other assets	6,648	7,457	7,786	7,923
Total assets	161,944	170,311	175,449	177,743
Interbank deposits	11,477	10,451	11,027	11,266
Customer deposits	0	0	0	0
Derivative payables	0	2	2	2
Debt equivalents	53,321	58,021	58,287	56,028
Other liabilities	21,039	22,058	22,481	22,657
Total liabilities	85,837	90,532	91,798	89,952
Shareholders' funds	70,192	73,516	77,025	80,774
Minority interest - accumulated	5,915	6,264	6,626	7,017
Total equity & liabilities	161,944	170,311	175,449	177,743

OPERATING RATIOS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Capital Adequacy				
Tier-1 CAR	0.0	0.0	0.0	0.0
Total CAR	0.0	0.0	0.0	0.0
Total assets/equity (x)	2.3	2.3	2.3	2.2
Tangible assets/tangible common equity (x)	2.3	2.3	2.3	2.2
Asset Quality				
NPL ratio	2.6	2.6	2.6	2.5
Loan loss coverage	166.0	172.0	182.0	194.0
Loan loss reserve/gross loans	4.3	4.5	4.6	4.9
Increase in NPLs	27.7	3.6	3.5	0.2
Credit cost (bp)	153.9	119.7	112.7	112.0
Liquidity				
Loan/deposit ratio	0.0	0.0	0.0	1.0
Liquid assets/short-term liabilities	212.4	267.8	262.6	263.2
Liquid assets/total assets	15.1	16.4	16.5	16.7

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Growth				
Net interest income, yoy chg	12.3	(5.7)	2.4	6.0
Fees & commissions, yoy chg	(29.8)	10.9	(2.5)	2.4
Pre-provision profit, yoy chg	15.9	1.2	5.3	7.6
Net profit, yoy chg	26.5	5.4	6.0	8.0
Net profit (adj.), yoy chg	26.5	5.4	6.0	8.0
Customer loans, yoy chg	3.5	3.5	5.3	1.9
Profitability				
Net interest margin	3.7	3.4	3.2	3.3
Cost/income ratio	55.9	56.9	56.4	54.8
Adjusted ROA	4.1	4.2	4.3	4.6
Reported ROE	9.6	9.7	9.8	10.1
Adjusted ROE	9.6	9.7	9.8	10.1
Valuation				
P/BV (x)	0.7	0.7	0.6	0.6
P/NTA (x)	0.7	0.7	0.6	0.6
Adjusted P/E (x)	7.4	7.0	6.6	6.1
Dividend Yield	6.7	7.7	7.9	8.7
Payout ratio	49.2	54.0	52.4	53.0

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