

Thanachart Capital - TCAP

4QCY12 net profit likely to stay flat q-q

Report type: Trade Flash

Company Overview

TCAP is the parent company of Thanachart Group, which holds a 50.9% stake in Thanachart Bank (TBANK), Thailand's fifth biggest lender in terms of assets, accounting for 8% of the industry's total assets. As of Sep 2012, corporate/SME loans account for 33.0% of loan portfolio with the rest 67% from retail loans, comprising HP (51.1%), housing (11.1%) and personal loans (4.8%).

- We expect TCAP's net profit to stay flat q-q in 4QCY12 at Bt1.21bn on the back of HP growth, which would raise the whole-year net profit by 7.1% y-y to Bt5.36bn.
- CY13 net profit is projected to jump 80.2% y-y, driven by a disposal of TLIFE of which gains will be booked in 1QCY13. The proceeds will allow TCAP to be able to expand aggressively its business.
- We rate TCAP a 'BUY' with a CY13 target price of Bt47/share, based on P/B of 1.2x.

What is the news?

Net loans over the first two months in 4QCY12 rose by 4.7% QTD on a notable increase in hire-purchase (HP) loans. The government's first-car tax rebate scheme drove a submission of first-car tax refunds to 1.25mn vehicles.

Deposit also grew considerably which was offset by a decrease in B/E. At end-Nov 2012, loan to deposit ratio rose to 93.6%.

How do we view this?

We expect TCAP's 4QCY12 net profit to stay flat q-q at Bt1.21bn. Loans are forecast to increase by 6% q-q compared to a 3% growth in the previous quarter. Interest spread is expected to remain unchanged while reserves would stay elevated approximately Bt1bn, near that in 3QCY12, in an effort to strengthen its coverage ratio. Cost to income ratio appears to stay flat at 57.6% as TCAP is expected to book a certain amount of expense during late year. Effective tax rate would increase slightly to an average of 23% from 19% in 3QCY12.

We raise our CY12 net profit projection by 3.2% from the previous estimate to Bt5.36bn, representing a growth of 7.1% y-y.

For CY13 outlook, core profit is expected to fall after a disposal of TLIFE, resulting to an absence of revenue from insurance business. Nonetheless, the bottom line turns out to improve notably as TCAP will book gains from the sale on investment (expected after-tax gain of Bt5.01bn) as well as potentially higher revenue from bancassurance business, in accordance with the deal made with Prudential Life. In sum, we expect CY13 net profit to jump 80.2% y-y to Bt9.65bn.

The sale of TLIFE to Prudential Life will be positive to TBANK as an after-tax transaction amount of Bt13bn would allow TBANK to expand its business by increasing Tier1 customer base to 11% and its reserves to push up coverage ratio.

Investment Actions?

Our CY13 target price has been revised up from Bt46.70/share to Bt47/share, based on P/B of 1.2x, after we raise our CY12-CY13 net profit forecast by 3.2% and 2.2%, respectively. We reiterate a 'BUY' rating on TCAP as the current share prices are trading at low CY13 P/B of 1x and TCAP is one of our Top Picks for 2013.

Valuation Method

P/B'13 (1.2x) (ROE=14.0%, LT Growth=7.7%)

Analyst
Phillip Research Team
+65 65311240
research@phillip.com.sg

Important Information

This publication is prepared by Phillip Securities Research Pte Ltd., 250 North Bridge Road, #06-00, Raffles City Tower, Singapore 179101 (Registration Number: 198803136N), which is regulated by the Monetary Authority of Singapore ("Phillip Securities Research"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources, which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this publication are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete, appropriate or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this publication or (ii) accept any legal responsibility from any person who receives this publication, even if it has been advised of the possibility of such damages. You must make the final investment decision and accept all responsibility for your investment decision, including, but not limited to your reliance on the information, data and/or other materials presented in this publication.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

Past performance of any product referred to in this publication is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This publication should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this research should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this publication.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold a interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this publication. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, which is not reflected in this material, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited its officers, directors, employees or persons involved in the preparation or issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.

This report is only for the purpose of distribution in Singapore.

Contact Information (Singapore Research Team)

Chan Wai Chee

CEO, Research

Special Opportunities

+65 6531 1231

yebo@phillip.com.sg

Magdalene Choong, CFA

Investment Analyst

Regional Gaming

+65 6531 1791

magdalenechoongss@phillip.com.sg

Ken Ang

Investment Analyst

Financials, Telecoms

+65 6531 1793

kenangwy@phillip.com.sg

Nicholas Ong

Investment Analyst

Commodities, Offshore & Marine

+65 6531 5440

nicholasonghg@phillip.com.sg

Joshua Tan

Head of Research

Global Macro, Asset Strategy

+65 6531 1249

joshuatan@phillip.com.sg

Go Choon Koay, Bryan

Investment Analyst

Property

+65 6531 1792

gock@phillip.com.sg

Ng Weiwen

Macro Analyst

Global Macro, Asset Strategy

+65 6531 1735

ngww@phillip.com.sg

Research Assistant

General Enquiries

+65 6531 1240 (Phone)

research@phillip.com.sg

Derrick Heng

Deputy Head of Research

SG Equity Strategist &

Transport

+65 6531 1221

derrickhengch@phillip.com.sg

Travis Seah

Investment Analyst

REITs

+65 6531 1229

travisseahhk@phillip.com.sg

Roy Chen

Macro Analyst

Global Macro, Asset Strategy

+65 6531 1535

roychencz@phillip.com.sg

Contact Information (Regional Member Companies)

SINGAPORE

Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

HONG KONG

Phillip Securities (HK) Ltd
Exchange Participant of the Stock Exchange of Hong Kong
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

THAILAND

Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

UNITED KINGDOM

King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

AUSTRALIA

Octa Phillip Securities Ltd
Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.octaphillip.com

MALAYSIA

Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

JAPAN

Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

FRANCE

King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED STATES

Phillip Futures Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005