

Company Report

Thursday, April 18, 2024



I V Global Securities Public Company Limited

Tisco Financial Group Plc (TISCO)

Rating: HOLD (from Buy)

Fair price: Bt104.0

Close price: Bt99.25

Company Information

Ticker:	TISCO TB
Sector:	Finance
Shares outstanding (m):	800.65
Market capitalization (Btm):	79,464.08
Trading vol/day (Btm):	386.34
Free float (%):	73.84
Beta:	0.43

Major Shareholders

CDIB & Partners Investment	10.00%
Thai NVDR	8.92%
South East Asia UK Type C	6.98%
Tokyo Century Corp	4.93%

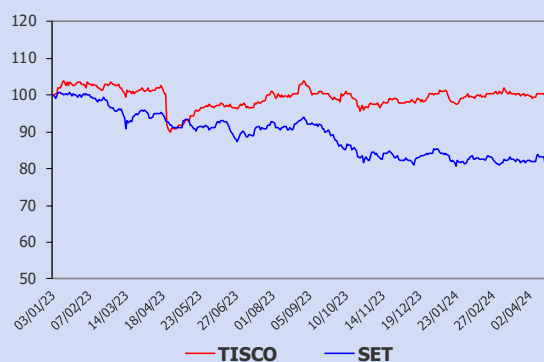
Consensus Bloomberg

2024F EPS (Bt):	9.15
Target price (Bt):	104.89

Price Performance

52 Wk high/low:	103.5 / 89.5
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	1M	3M	1Y	YTD
Absolute (%)	-0.8	1.3	-2.7	-0.5
Relative (%)	0.6	2.3	11.9	3.0



Rating	CGR	Thai CAC	SET ESG
TISCO		Certified	AAA

Analyst

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1Q24 came in a bit weak

- TISCO posted a net profit of Bt1.73bn, down 3.3% YoY and 2.6% QoQ for 1Q24. The 1Q24 results came in slightly below the Bloomberg consensus estimate of Bt1.78bn. Expected credit loss (ECL) rose YoY and QoQ (or 0.47% of loans). Pre-provision operating profit (PPOP) rose 5% YoY and 1% QoQ on rising operating income and declining operating expenses. Total loans were flat QoQ (+0.2%) at end-March 2024 with NIM falling faster than expected. Domestic car sales for the first two months fell by 21.5% YoY to 107,657 units. TISCO's auto-HP penetration rate was 4.4%.
- 2H23 DPS of Bt5.75 offers a strong yield of 5.8%. The XD date is 24 April for payment on 15 May. The full year pay-put ratio was at 85% (or at Bt7.75).
- During 1Q24, the retail lending portfolio declined by 1.3% QoQ, consisting of car and motorcycle HP loans (of 65.4%), loans against auto licenses (of 26.2%), housing loans (of 5.1%) and other retail loans (of 3.4%). The HP loans declined 2% QoQ due to a 3% contraction in new car HP loans following cautious underwriting policy. The used car HP and motorcycle HP loans grew by 2.5% and 4.2%, respectively following the high yield loan expansion strategy.
- Loans against auto licenses (Auto-cash loans) increased just 0.4% QoQ partly boosted by the high-yield Somwang channel (674 branches nationwide), up by 2.5% QoQ.
- Housing loans (5.1%) fell 4.8% QoQ on competitive market and rising risks. Corporate loan expanded by 1.8% QoQ boosted by the public utility, service, real estate, and construction sectors. Commercial lending portfolio grew by 10% QoQ from expansion in car inventory financing.
- NIM fell by 19bps QoQ to 4.76% in 1Q24, with rising cost of fund by 15bps on fixed deposit repricing versus 2bps increase in loan yield.
- Non-interest income fell by 5.5% YoY but rose 3.8% QoQ to Bt1.3bn. The YoY decline was due to declining bancassurance business following lower new business volume on declining domestic car sale. Brokerage fee income also fell 33.5% YoY. The QoQ improvement in non-interest income was thanks to higher dividend income.
- Cost-to-income ratio stood at 48.1% for 1Q24, with operating expenses fell by 0.8% YoY and 3.8% QoQ to Bt2.26bn.
- Credit costs came in higher at 47bps of loans in 1Q24 (or +206% YoY and +49% QoQ to Bt279m), up from 16bps a year ago.
- NPL ratio was up a bit QoQ from 2.22% to 2.27%. LLR/NPL ratio declined from 189.8% at end-4Q23 to 177.8% at end-March 2024.
- Total CAR for the bank remained solid at 20.9%, with Tier-1 capital of 18.7%.
- Downgraded to HOLD.** We slash our 2024-5F earnings estimates by 4% and 3%, respectively on softening net interest income outlook. We prefer to downgrade our call from Buy to HOLD with a revised price target of Bt104.0 (from Bt108.8), based on 1.9x book at end-2024F. The stock trades at P/E of 11.2x our 2024F estimate. The key downside risks are rising market competition and a weak capital market depressing non-interest income.

Investment summary

FY Dec 31	2021	2022	2023	2024F	2025F	2026F
Net profit (Btm)	6,785	7,224	7,303	7,104	7,295	7,645
Change (%)	11.9	6.5	1.1	-2.7	2.7	4.8
PPOP (Btm)	10,557	9,714	9,705	10,077	10,756	11,382
Change (%)	-3.1	-8.0	-0.1	3.8	6.7	5.8
EPS (Bt)	8.47	9.02	9.12	8.87	9.11	9.55
Change (%)	11.9	6.5	1.1	-2.7	2.7	4.8
P/E (x)	11.7	11.0	10.9	11.2	10.9	10.4
DPS (Bt)	7.15	7.75	7.75	7.54	7.75	8.12
Yield (%)	7.2	7.8	7.8	7.6	7.8	8.2
BVPS (Bt)	51.45	53.44	53.02	54.35	55.71	57.14
P/BV (x)	1.9	1.9	1.9	1.8	1.8	1.7
ROAA (%)	2.6	2.8	2.6	2.4	2.4	2.4
ROAE (%)	16.8	17.2	17.1	16.5	16.6	16.9

Source: Company and IVG estimates

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Results

(Btm)	1Q24	1Q23	% YoY	4Q23	% QoQ	2023	2022	% YoY
Net interest income	3,395	3,223	5.4	3,502	(3.0)	13,829	12,734	8.6
Non-interest income	1,307	1,384	(5.5)	1,260	3.8	5,217	5,571	(6.4)
Operating income	4,703	4,606	2.1	4,762	(1.2)	19,046	18,305	4.0
Opex	2,263	2,282	(0.8)	2,353	(3.8)	9,340	8,591	8.7
PPOP	2,440	2,325	5.0	2,409	1.3	9,705	9,714	(0.1)
ECL	279	91	206.4	187	49.1	613	723	(15.1)
Pre-tax profit	2,161	2,233	(3.3)	2,222	(2.8)	9,092	8,991	1.1
Tax	428	441	(3.0)	442	(3.2)	1,789	1,767	1.2
Net profit	1,733	1,793	(3.3)	1,780	(2.6)	7,303	7,224	1.1
EPS (Bt)	2.16	2.24	(3.3)	2.22	(2.6)	9.12	9.02	1.1

Source: Company and IVG estimates

Key Financial Ratios

(%)	1Q23	2Q23	3Q23	4Q23	1Q24
Loan growth YTD	0.5	5.2	5.8	7.2	0.2
NIM	4.88	5.02	5.14	4.95	4.76
Fee income (% YoY)	(0.6)	(0.9)	(4.7)	(7.4)	(7.8)
Non NII growth	2.2	(8.8)	0.2	(17.0)	(5.5)
Cost to income	49.5	50.1	48.4	49.4	48.1
Credit cost (% of loans)	0.16	0.11	0.25	0.32	0.47
Loan-to-deposit	106.9	110.8	111.0	108.7	109.1
NPL	2.13	2.20	2.25	2.22	2.27
LLR/NPL	248.1	224.0	205.8	189.8	177.8
Tier I	19.7	19.5	19.0	18.9	18.7
Total CAR	23.5	23.0	22.6	22.3	20.9

Source: Company and IVG estimates

Quarterly Income

(Btm)	1Q23	2Q23	3Q23	4Q23	1Q24
Net interest income	3,287	3,420	3,557	3,565	3,395
Non-interest income	1,384	1,324	1,250	1,260	1,307
Operating income	4,671	4,743	4,807	4,825	4,703
Opex	2,282	2,378	2,329	2,353	2,263
PPOP	2,389	2,366	2,478	2,473	2,440
Provisions	155	63	147	248	279
Pre-tax profit	2,233	2,303	2,332	2,224	2,161
Tax	441	449	457	442	428
Net profits	1,793	1,854	1,874	1,782	1,733
EPS (Bt)	2.24	2.32	2.34	2.23	2.16

Source: Company

Key Financial Ratios

(%)	1Q22	2Q22	3Q22	4Q22	2021	2022	2023
Loan growth YTD	0.3	0.2	5.0	7.9	(9.7)	7.9	7.2
NIM	5.09	5.05	5.15	5.09	4.84	5.09	4.95
Fee income (% YoY)	(17.2)	(4.6)	12.4	(19.9)	9.1	(9.5)	(3.5)
Non NII growth	(31.8)	(6.9)	15.9	(11.0)	9.8	(12.1)	(6.4)
Cost to income	47.5	46.5	48.1	46.2	44.0	47.1	49.0
Credit cost (% of loans)	0.17	0.27	0.22	0.69	1.0	0.3	0.26
Loan-to-deposit	113.0	114.7	111.7	111.0	115.8	111.0	108.7
NPL	2.15	2.20	2.08	2.09	2.44	2.09	2.22
LLR/NPL	262.1	253.1	248.0	258.8	236.8	258.8	189.8
Tier I	19.9	21.0	20.2	19.6	20.2	19.6	18.9
Total CAR	24.3	25.3	24.3	23.4	25.2	23.4	22.3

Source: Company and IVG estimates

TISCO	85%
IVG ESG Rating : GOOD	
E: Environmental	10%
Energy Efficiency Management	50%
Climate-Related Management	50%
Sustainable Water Management	50%
Sustainable Waste Management	50%
S: Social	15%
Human Rights Management	50%
Education and Training Policy	50%
Occupational Health and Safety Policy	100%
Corporate Social Responsibility Policy	100%
G: Governance	60%
Corporate Governance Rating (CGR)	100%
Employees Trained on Anti-Corruption	100%
Supporting Green Financial Products	100%
Risk and Crisis Management	100%
Cybersecurity and Customer Data Privacy Protection	100%
Digitalization and Innovation	100%
Customer Relationship Management	100%

Banking sector	Scores	Weights	TISCO
E: Environmental	8	20%	10%
S: Social	8	20%	15%
G: Governance	17	60%	60%
Total	33	100%	85%

Company ESG Policy Priorities

POOR	MEDIUM	GOOD
1-50%	>50 - 70%	>70 - 100%

Source: Sustainability report from company 2022 and Criteria by IVG

I V Global Investment Research – Recommendation Definitions

Sector Recommendations

OVERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index by at least 10% over the next 12 months.

NEUTRAL: The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.

UNDERWEIGHT: The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index by 10% over the next 12 months.

Stock Recommendations

BUY: Expecting positive total returns of 15% or more over the next 12 months.

HOLD: Expecting total returns of not more than -10% to +10% over the next 3 months.

SELL: Expecting negative total returns of 15% or more over the next 12 months

Anti-corruption Progress Indicator Definitions

Level 5 Extended	Extension of the anti-corruption policy to business partners in the supply chain, and disclosure of any current investigations, prosecutions or closed cases
Level 4 Certified	Audit engagement by audit committee or auditors approved by the office of SEC, and receiving certification or assurance by independent external assurance providers (CAC etc.)
Level 3 Established	Carrying out preventive measures, risk assessment, communication and training for all employees, including consistent monitoring and review processes. (3A: Established by Declaration of Intent, 3B: Established by Internal Commitment and Policy)
Level 2 Declared	Public declaration statement to participate in Thailand's private sector Collective Action Coalition Against Corruption (CAC) or equivalent initiatives
Level 1 Committed	Organization's statement or board's resolution to work against corruption and to be in compliance with all relevant laws
Partially progress	Insufficient or not clearly defined policy
No progress	Data not available / no policy

Corporate Governance Report (CGR)

	Excellent
	Very good
	Good

Disclaimers

The disclosure of the survey result of corporate governance, which is surveyed by the Thai Institute of Directors Association ("IOD"), and the Anti-Corruption Progress Indicators, which is assessed by Thaipat Institute, are the disclosure of the survey or assessment result based on the information received from the listed company that was stipulated in the form for Annual Corporate Governance Report of Thai Listed Companies (CGR) and the form for the assessment of Anti-corruption that refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2) or other relevant documents or reports of such listed company (as the case may be). The survey or assessment result is based on the information of the listed company, which is disclosed to the public and can be accessed by all investors and is made in order to comply with the policy of the Office of the Stock Exchange of Thailand.

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