

BANGKOK COMMERCIAL ASSET MANAGEMENT PLC

No. 115/2022
1 November 2022

FINANCIAL INSTITUTIONS

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 05/07/22

Company Rating History:

Date	Rating	Outlook/Alert
17/02/20	A-	Stable

Contacts:

Sithakarn Tongphiphat, CFA, FRM
sithakarn@trisrating.com

Pawin Thachasongtham
pawin@trisrating.com

Jittrapan Pantaleard
jittrapan@trisrating.com

Taweekok Jiamsakunthum
taweekok@trisrating.com

Narumol Charnchanavivat
narumol@trisrating.com



WWW.TRISRATING.COM

RATIONALE

TRIS Rating affirms the company rating on Bangkok Commercial Asset Management PLC (BAM) and the ratings on its outstanding senior unsecured debentures at “A-” with a “stable” rating outlook. At the same time, TRIS Rating assigns a “A-” rating to BAM’s proposed issue of up to THB4.5 billion in senior unsecured debentures due within eight years. The company intends to use the proceeds from the proposed debenture issue for debt repayment, funding its operation, and business expansion.

The ratings reflect the company’s long experience and dominant market position as the top ranked distressed asset management company. The ratings also take into consideration BAM’s moderate financial leverage and earnings capability together with diversified funding sources. BAM’s ratings are partly constrained by the macro risk and concentration risk related to its real estate exposure. These risks could have material impact on its financial performance if not well managed. However, we view that BAM’s expertise in asset pricing, selective investment strategy, and diversification in terms of types and locations of assets help mitigate these risks to some extent.

BAM’s performance in the first half of 2022 (1H22) is slightly below our expectation due to the lower cash collections from non-performing assets (NPA) business in 1H22. For the 1H22, BAM’s net profit increased by 10.0% year-on-year (y-o-y) to THB1.14 billion, thanks to the improvement in non-performing loans (NPL) business that helped reduce the impact of falling NPA revenue. In 1H22, total cash collection was flat y-o-y, NPL cash collection improved 11% y-o-y while NPA cash collection dropped by 16% y-o-y. We expect a recovery in NPA cash collection in 2H22, supported by the improving demand in the property sector, which should help strengthen BAM’s performance for the rest of 2022.

We maintain our positive view on BAM’s NPL management performance in the 2H22 and onwards. This is despite our concerns over economic headwinds including high inflation, geopolitical risk, and global economic slowdown. We anticipate that encouraging signs such as the recovery of private consumption and tourism after the lifting of travel restrictions will gather momentum and lead to stronger economic growth in 2023.

At the same time, the supply of secured NPL for sale in the 1H22 was approximately 59% higher than the same period in 2021. BAM’s asset acquisitions have therefore accelerated in 1H22 compared y-o-y although remaining below pre-COVID-19 level. The company acquired THB2.8 billion of NPL and NPA in 1H22, an increase of 266% y-o-y. More NPLs are being auctioned off by financial institutions given debt relief measures implemented by the Bank of Thailand (BOT) are gradually expiring, and we expect more supply to increase in the next few years. This bodes well for BAM’s asset acquisition plan in 2H22 and 2023.

Conversely, a potential challenge for the company is the pressure from rising interest rates as finance cost remains as one of the company’s main expenses comprising nearly half of the company’s total expenses. Nonetheless, the impact on its funding cost will be gradual as most of the company’s borrowings are longer term. At the end of October 2022, 14.7% of total debentures are maturing in 2023. The company already issued THB12.8 billion debentures year-to-date. The newly proposed debenture issuance of up to THB4.5 billion will provide

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

funding source for additional asset acquisitions in the last quarter of 2022. Including the new issuance, BAM's debt-to-equity ratio is estimated to be at 2.1 times from 2.0 times at the end of June 2022 (exclude debt repayment).

RATING OUTLOOK

The "stable" outlook is based on our expectation that BAM will maintain its strong financial performance and moderate financial leverage.

RATING SENSITIVITIES

The ratings and/or outlook could be revised upward if financial performance improves steadily, with the debt-to-equity (D/E) ratio falling below 1.5 times on a sustained period.

The ratings and/or outlook could be revised downward if leverage increases significantly due to aggressive expansion, with the D/E ratio rising above 2.75 times for a sustained period or a prolonged deterioration in financial performance with the return on average assets (ROAA) falling below 1.5% on a sustained basis.

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Nonbank Financial Institution Methodology, 17 February 2020

Bangkok Commercial Asset Management PLC (BAM)

Company Rating:	A-
Issue Ratings:	
BAM234A: THB1,000 million senior unsecured debentures due 2023	A-
BAM235A: THB4,050 million senior unsecured debentures due 2023	A-
BAM239A: THB3,800 million senior unsecured debentures due 2023	A-
BAM23DA: THB1,100 million senior unsecured debentures due 2023	A-
BAM244A: THB1,000 million senior unsecured debentures due 2024	A-
BAM244B: THB3,750 million senior unsecured debentures due 2024	A-
BAM246A: THB1,400 million senior unsecured debentures due 2024	A-
BAM247A: THB4,500 million senior unsecured debentures due 2024	A-
BAM24DA: THB500 million senior unsecured debentures due 2024	A-
BAM251A: THB1,845 million senior unsecured debentures due 2025	A-
BAM256A: THB370 million senior unsecured debentures due 2025	A-
BAM259A: THB3,200 million senior unsecured debentures due 2025	A-
BAM25NA: THB5,370 million senior unsecured debentures due 2025	A-
BAM264A: THB6,000 million senior unsecured debentures due 2026	A-
BAM267A: THB405 million senior unsecured debentures due 2026	A-
BAM26DA: THB1,300 million senior unsecured debentures due 2026	A-
BAM274A: THB2,545 million senior unsecured debentures due 2027	A-
BAM276A: THB1,500 million senior unsecured debentures due 2027	A-
BAM279A: THB5,000 million senior unsecured debentures due 2027	A-
BAM284A: THB1,300 million senior unsecured debentures due 2028	A-
BAM286A: THB2,400 million senior unsecured debentures due 2028	A-
BAM28DA: THB1,200 million senior unsecured debentures due 2028	A-
BAM294A: THB1,065 million senior unsecured debentures due 2029	A-
BAM297A: THB5,000 million senior unsecured debentures due 2029	A-
BAM304A: THB700 million senior unsecured debentures due 2030	A-
BAM307A: THB1,050 million senior unsecured debentures due 2030	A-
BAM30NA: THB580 million senior unsecured debentures due 2030	A-
BAM317A: THB3,500 million senior unsecured debentures due 2031	A-
BAM324A: THB2,140 million senior unsecured debentures due 2032	A-
BAM347A: THB1,000 million senior unsecured debentures due 2034	A-
Up to THB4,500 million senior unsecured debentures due within 8 years	A-
Rating Outlook:	Stable

TRIS Rating Co., Ltd.

Silom Complex Building, 24th Floor, 191 Silom Road, Bangkok 10500, Thailand Tel: +66 2 098 3000

© Copyright 2022, TRIS Rating Co., Ltd. All rights reserved. Any unauthorized use, disclosure, copying, republication, further transmission, dissemination, redistribution or storing for subsequent use for any purpose, in whole or in part, in any form or manner or by any means whatsoever, by any person, of the credit rating reports or information is prohibited, without the prior written permission of TRIS Rating Co., Ltd. The credit rating is not a statement of fact or a recommendation to buy, sell or hold any debt instruments. It is an expression of opinion regarding credit risks for that instrument or particular company. The opinion expressed in the credit rating does not represent investment or other advice and should therefore not be construed as such. Any rating and information contained in any report written or published by TRIS Rating has been prepared without taking into account any recipient's particular financial needs, circumstances, knowledge and objectives. Therefore, a recipient should assess the appropriateness of such information before making an investment decision based on this information. Information used for the rating has been obtained by TRIS Rating from the company and other sources believed to be reliable. Therefore, TRIS Rating does not guarantee the accuracy, adequacy, or completeness of any such information and will accept no liability for any loss or damage arising from any inaccuracy, inadequacy or incompleteness. Also, TRIS Rating is not responsible for any errors or omissions, the result obtained from, or any actions taken in reliance upon such information. All methodologies used can be found at www.trisrating.com/rating-information/rating-criteria