

BANGKOK COMMERCIAL ASSET MANAGEMENT PLC

No. 92/2023
24 August 2023

FINANCIAL INSTITUTIONS

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

Last Review Date: 19/04/23

Company Rating History:

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

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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” outlook. At the same time, TRIS Rating assigns a rating of “A-” to BAM’s proposed issue of up to THB4 billion senior unsecured debentures due within 12 years with an additional allotment option of up to THB4 billion. The proceeds will be used for debt repayment, and business expansion.

The ratings reflect the company’s long experience and dominant market position as the top ranked distressed asset management company (AMC) by assets. The ratings also take into consideration BAM’s moderate financial leverage and diversified funding sources.

BAM’s ratings are partly constrained by several risk factors. Apart from macro risk and uncertain cashflow, other key risks are related to the company’s real estate exposure including asset pricing risk and concentration risk. These risks could have a significant 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 total cash collection in the first half of 2023 (1H23) improved 3.5% y-o-y. This was led by an improved performance of non-performing assets (NPAs) cash collection that increased by 26.5% y-o-y, while non-performing loans (NPLs) cash collection dropped 10.3% y-o-y. The decrease in NPL cash collection can be attributed to retail customers impacted by the weak economy.

Despite the improvement in cash collection in NPAs, BAM’s financial performance in 1H23 is below our expectation due to the lower cash collections from NPLs business and rising funding cost. In 1H23, its net profit dropped by 40% year-on-year (y-o-y) to THB692 million. Nonetheless, TRIS Rating expects that the company’s financial performance to strengthen in 2H23 given seasonality factor where cash collections tend to accelerate in the latter half.

In 1H23, BAM acquired NPLs and NPAs in total of THB7.4 billion, 167% higher y-o-y. This was largely due to increased supply of distressed assets put up for sale by financial institutions. According to BAM, financial institutions conducted auctions totaling THB138 billion in 1H23, up 144% y-o-y. Looking ahead, there is strong likelihood that BAM will exceed our estimates of THB9 billion debt acquisitions in 2023 as we expect consistent supply of NPLs being auctioned throughout the rest of 2023.

The key challenge for BAM in 2H23 and 2024 is the pressure from rising interest expenses. This stem from the rising interest rate environment and debt-funded portfolio expansion. In 1H23, interest expenses comprised nearly half of the company’s total expenses. We estimate BAM’s funding cost to be around 3.35% in 2023 compared with 3.18% in 2022.

Including the new debenture issuance, BAM’s debt-to-equity (D/E) ratio is estimated to be at 2.3 times from 2.0 times at the end of 2022 (excluding debt repayments in 2023).

RATING OUTLOOK

The “stable” outlook is based on TRIS Rating’s 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 BAM’s financial performance improves steadily, with the D/E ratio falling below 1.5 times for a sustained period.

The ratings and/or outlook could be revised downward if BAM’s 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 return on average asset (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:	
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-
BAM245A: THB650 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-
BAM25NB: THB1,000 million senior unsecured debentures due 2025	A-
BAM264A: THB6,000 million senior unsecured debentures due 2026	A-
BAM265A: THB3,200 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-
BAM27NA: THB850 million senior unsecured debentures due 2027	A-
BAM284A: THB1,300 million senior unsecured debentures due 2028	A-
BAM285A: THB350 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-
BAM305A: THB300 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-
BAM30NB: THB2,000 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-
BAM335A: THB1,700 million senior unsecured debentures due 2033	A-
BAM347A: THB1,000 million senior unsecured debentures due 2034	A-
Up to THB4,000 million senior unsecured debentures with an additional allotment option of up to THB4,000 million due within 12 years	A-
Rating Outlook:	Stable

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