

Current	Previous	Close	2018 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	40.00	54.00	+35%	Declared	4

Consolidated earnings

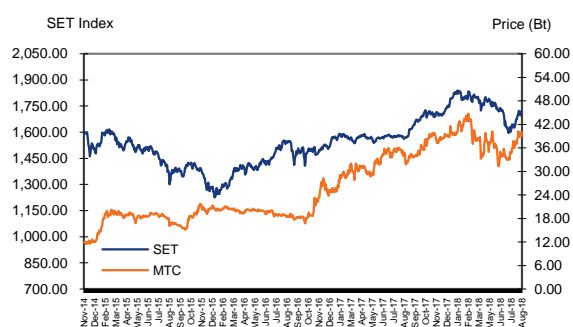
BT (mn)	2016	2017	2018E	2019E
Total revenue (Btm)	4,472	7,471	11,212	15,775
Total expenses (Btm)	3,008	4,970	7,318	10,530
Net profit	1,464	2,501	3,894	5,246
Spread	19.6	20.0	19.8	18.9
Net margin	32.7	33.5	34.7	33.3
EPS (Bt)-Basic	0.69	1.18	1.84	2.47
EPS (Bt)-Fully diluted	0.69	1.18	1.84	2.47
Growth (%)	76.9	71.0	55.7	34.7
PER (x) - Basic	58.0	33.9	21.8	16.2
PER (x) -Fully diluted	58.0	33.9	21.8	16.2
DPS (Bt)	0.10	0.18	0.28	0.37
Dividend yield (%)	0.3	0.5	0.7	0.9
BV/share (Bt)	3.16	4.22	5.88	8.07
P/BV (x)	12.7	9.5	6.8	5.0
Par (Bt)	1.00	1.00	1.00	1.00

Source: Company data, FSS estimates

Share data

Sector	Finance & Securities
Close (09/08/2018)	40.00
SET Index	1,722.48
Foreign limit/actual (%)	49.00/6.43
Paid up shares (million)	2,120.00
Free float (%)	31.62
Market cap (Bt m)	84,800.00
Avg daily T/O (Bt m) (2018 YTD)	369.47
hi, lo, avg (Bt) (2018 YTD)	45.25, 30.50, 37.87

Source: Setsmarts



Source: SET

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 Finansia Syrus Securities

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Expect ROE of >35%, highest in financials sector

We have increased our 2018E net profit by 7% to Bt3.9bn (+56% Y-Y). The upward revision factors in mainly a decline in our credit cost estimate from 2.3% to 1.55%, which makes it possible for our loan loss provision estimate to fall by 30%. Such cut came after the IFRS 9 was postponed. It gives MTC more time to prepare its general reserve. Similarly, we increase our 2018 TP to Bt54 from Bt51. It assumes a PEG of 1x, which is equal to a PER of 30x, after taking into consideration 2018 prospective EPS of Bt1.8 and 2019-2020 average earnings growth rate of 30% p.a. Finally, we retain our BUY rating on MTC. Besides growth and asset quality, we also like MTC because its ROE is very strong. In particular, we expect it at 36% in 2018, the highest in the financials sector.

Increase 2018E net profit by 7% to Bt3.9bn (+56% Y-Y)

We have increased our 2018E net profit by 7% to Bt3.9bn (+56% Y-Y). The upward revision factors in a cut in our credit cost estimate from 2.3% to 1.55%, which makes it possible for our loan loss provision estimate to fall by 30%. Such cut came after the IFRS 9 was postponed. It gives MTC more time to prepare its general reserve. However, we stand by our 2018E loans growth rate of 50% Y-Y after the company's loans in 1H18 only increased by 16.5% and 42% Y-Y, lower than our estimate. Looking ahead, we expect loans to accelerate in 2H18 in line with seasonality. Moreover, MTC will open 200 new branches, sending total number of branches to 3,000 (from 2424 in 2017). Following such rise, our full-year forecast implies that 2H18 net profit will increase 23% H-H. Note that MTC sees increased pressure from CoF. In particular, CoF in 2Q18 was up by 0.14% after the company has restructured its capital toward long-term ones in order to lessen impacts from the upward interest rate outlook. Currently, MTC's short- to long-term funding ratio is 35:65, up from the 60:40 in 2016. Finally, we maintain our interest spread estimate at 19.8%, which is MTC's interest spread in 1H18.

MTC continues to balance growth and asset quality

In terms of growth, we see the following business potentials. First, there is a chance that the number of branches in the central region and the south will grow since MTC has just started to open branches in these new areas. In this regard, we expect MTC to hit its long-term target of 4,000 branches by 2020. A rise in the number of branches remains the heart of the company's business expansion due to consumer behavior which focuses on convenience. Second, there is a chance that MTC will provide motorcycle title loan. Currently, the owner of only 1.1mn motorcycles has applied for motorcycle title loan, while there are over 20mn registered motorcycles. Given that, an annual loan growth rate of 30-40% is still possible. In terms of asset quality, MTC's NPL ratio is low at just 1.35%, while its coverage ratio stands at 247%. The company manages risks through its policy to give an average loan of Bt20,000 for a period of 1.5 years on average. Moreover, it puts a cap on land title and agricultural vehicle loans at Bt200,000 per family in order to diversify risks.

Maintain BUY rating after 2018 TP increased to Bt54

We retain our BUY rating on MTC after we have raised our 2018 TP to Bt54 (from Bt51). Such TP assumes PEG of 1x, which is equal to PER of 30x after taking into consideration 2018 prospective EPS of Bt1.8 and 2019-2020 average earnings growth rate of 30% p.a. Besides growth and asset quality, we also like MTC because its ROE is very strong. In particular, we expect it at 36% in 2018, the highest in the financials sector.

Risks: a rise in NPL, regulatory risk

Income Statement (Consolidated)

(Bt mn)	2015	2016	2017	2018E	2019E
Interest income	2,225	4,019	6,795	10,241	14,427
Fee and service income	317	436	642	931	1,303
Other income	17	17	34	40	45
Total revenue	2,559	4,472	7,471	11,212	15,775
Service expenses	1,269	1,985	2,989	4,485	6,310
Admin expenses	6	15	24	34	47
Total SG&A	1,275	2,000	3,013	4,519	6,358
Provision	25	332	679	690	1,026
EBIT	1,259	2,140	3,779	6,004	8,392
COF	228	328	673	1,136	1,835
EBT	1,032	1,812	3,106	4,868	6,557
Tax	207	348	605	974	1,311
Net profit	825	1,464	2,501	3,894	5,246

Balance Sheet (Consolidated)

(Bt mn)	2015	2016	2017	2018E	2019E
Cash and Cash equivalent	153	539	1,154	500	800
Loan outstanding	12,630	23,541	35,623	53,434	74,807
Account Receivables	15	0	0	0	0
Other Current Assets	38	92	127	139	153
Restricted deposit	3	5	7	5	5
PP&E	520	772	1,022	1,175	1,352
Total assets	13,083	24,426	36,953	55,386	77,257
Account payable	3,218	10,288	6,721	8,650	10,600
Other Current Liabilities	248	450	868	1,024	976
Total Current Liabilities	4,035	13,100	11,350	14,674	17,576
Financial lia - LT	3,368	4,599	16,619	28,200	42,500
Personal contingent liab.	23	27	41	48	55
Other LT Liabilities	5	8	0	8	8
Total LT Liabilities	3,396	4,634	16,660	28,256	42,563
Total Liabilities	7,431	17,733	28,010	42,930	60,139
Paid up capital	2,120	2,120	2,120	2,120	2,120
Share premium	2,380	2,380	2,380	2,380	2,380
Legal reserve	109	184	212	407	669
Other reserve	0	0	0	0	0
Retained earnings	1,043	2,008	4,231	7,550	11,949
Shareholder Equity	5,652	6,692	8,943	12,456	17,117

Important Ratios (Consolidated)

	2015	2016	2017	2018E	2019E
Growth (%)					
Revenues	37.9	74.8	67.1	50.1	40.7
SG&A	42.3	56.9	50.6	50.0	40.7
Net profit	51.6	77.5	70.8	55.7	34.7
Profitability Ratios (%)					
Gross profit margin	0.0	0.0	0.0	0.0	0.0
Net profit margin	32.2	32.7	33.5	34.7	33.3
Normalized ROA	7.5	7.8	8.1	8.4	7.9
Normalized ROE	15.3	23.7	32.0	36.4	35.5
Risk (x)					
D/E (x)	1.3	2.6	3.0	3.4	3.5
Net D/E (x)	1.3	2.6	3.0	3.4	3.5
Per share data (Bt)					
EPS basic	0.39	0.69	1.18	1.84	2.47
EPS FD	0.39	0.69	1.18	1.84	2.47
Book value	2.67	3.16	4.22	5.88	8.07
Dividend	0.20	0.10	0.18	0.28	0.37
Par	2.00	3.00	4.00	5.00	6.00
Valuations (x)					
P/E	102.56	57.97	33.90	21.78	16.17
Norm P/E	102.56	57.97	33.90	21.78	16.17
P/BV	15.00	12.67	9.48	6.81	4.95
Dividend yield (%)	0.50	0.25	0.45	0.69	0.93

Source: Company data, FSS research

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Pattane

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Aumphoe Muang, Nonthaburi

Udonthani

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Tumbon Mak Khaeng,
Aumphoe Muang Udon Thani,
Udon Thani

Measai

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Tumbon Maesai,
Aumphoe Muang, Cheangrai

Hatyai 2

106 Prachathipat Road,
Aumphoe Hadyai, Songkhla

Recommendation Definitions

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average






Note: The expected return may change as market risks increase or decline.

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Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2017

Score Range	Rating	Description
100-90		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	no logo given	n/a

IOD (IOD Disclaimer)

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Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

1 CG Score 2017 from Thai Institute of Directors Association (IOD)

2 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors

(as of July 31, 2017) are categorised into:

- companies that have declared their intention to join CAC, and
- companies certified by CAC.