

BUY

TP: Bt57.00

Closing price: Bt48.75

Upside/downside 16.9%

Sector	Finance & Securities
Paid-up shares (shares mn)	2,120
Market capitalization (Bt mn)	103,350
Free float (%)	31.62
12-mth daily avg. turnover (Bt mn)	367.58
12-mth trading range (Bt)	49.75/30.50

Major shareholders (%)

Mr. Chuchat Petaumpai	34.0
Mrs. Daonapa Petaumpai	34.0

Financial highlights

	2017	2018E	2019E	2020E
Revenue (Btmn)	6,798	9,662	12,975	16,564
Net profit (Btmn)	2,501	3,557	4,706	5,991
EPS (Bt)	1.18	1.68	2.22	2.83
EPS growth (%)	70.8	42.3	32.3	27.3
P/E (x)	41.3	29.1	22.0	17.3
BVPS (Bt)	4.2	5.7	7.7	10.2
P/BV (x)	11.6	8.5	6.3	4.8
DPS (Bt)	0.18	0.25	0.35	0.40
Div. yield (%)	0.4	0.5	0.7	0.8
ROE (%)	32.0	33.8	33.1	31.6

Source: SETSMART, AWS

Thailand Research Department

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Regulatory concerns relieved, back to normal mode in 4Q18

- ▶ Analyst meeting on 2 Oct 2018.
- ▶ Regulatory concerns are relieved after BOT is set to issue regulations on auto title loans by Nov, with 28% maximum interest rate.
- ▶ MTC expects to return to normal mode, in terms of lending contract, in 4Q18 onward.
- ▶ No much concern on class action lawsuit given insignificant amount of only Bt25,000.
- ▶ Targets FY19 loan growth at 35%, with NPL ratio of no more than 2%.
- ▶ Maintain BUY with a target price of Bt57.

Regulatory concerns relieved

The Bank of Thailand (BOT) is set to allow operators with personal loan license to offer auto title loans with 28% maximum interest rate (excluding collection fees) and no lending limit, in which the regulations should be announced by Nov. These will be applied only with firms with registered capital of no less than Bt50mn while the otherwise firms will be supervised by the Fiscal Policy Office. This should give MTC and investors a huge relief as the company's effective yield is only 23%. Given more tangible details of regulations, MTC expects its lending operation will return to normal in 4Q18. Specifically, it will not separate a particular loan contract into two contracts (typical contract and nanofinance contract) as it previously did in 2-3Q18 in order to reduce complexity, except for land title loans.

No much concern on class action lawsuit

A class action lawsuit from a group of 15 individuals has been filed against MTC over alleged interest rate charges above a rate required by law at 15%. The company is now awaiting for the Civil Court's rule in Nov whether the Court will take the case as the class action. If the Court accepts it, MTC will then appeal the case. The overall process should take around 3-5 years. Nevertheless, this should not leave much concern to the company given insignificant amount of only Bt25,000, which should not impact its provisioning level and bottom line.

Lending to continue growing

MTC targets FY19 loan growth at 35% and aims its number of branches to reach 3,800 next year, from 3,200 in 2018. In particular, it eyes to add more branches in the South, Northeast, and Bangkok. The company also estimates FY19 NPL ratio at no more than 2%, slightly up from FY18's 1.5% forecast, following swift loan expansion. Although its current yield is well below 28% interest rate ceiling, it has no plan to raise its interest rate level. Given that, we kept FY18 earnings forecast at Bt3.6bn while projecting 3Q18 earnings to achieve a new quarterly high again at Bt973mn, up 6.7% QoQ and 49.6% YoY. Looking forward, we estimate FY19 net profit at Bt4.7bn, up 32.3% YoY.

Maintain BUY

We maintain our BUY recommendation with a target price of Bt57, based on two-year earnings CAGR of 26%, FY19 EPS of Bt2.22, and PEG of 1x. We reckon MTC still has an abundant room to expand at least over the next three years in light of large untapped market in Thailand while the company has no plan to penetrate into CLMV market in the next few years as well.

Income Statement (Btmn)

Year to 31 Dec	2016	2017	2018E	2019E	2020E
Interest income	4,019	6,795	9,715	13,319	17,140
Interest expense	(328)	(673)	(965)	(1,531)	(2,059)
Net interest income	3,691	6,122	8,750	11,788	15,081
Non-interest income	453	676	913	1,187	1,483
Net operating income	4,144	6,798	9,662	12,975	16,564
Non-interest expense	(2,000)	(3,013)	(4,275)	(5,862)	(7,560)
Pre-provision profit	2,144	3,785	5,387	7,112	9,004
Provision expense	(332)	(679)	(940)	(1,231)	(1,515)
Pre-tax profit	1,812	3,106	4,447	5,882	7,489
Corporate tax	(348)	(605)	(889)	(1,176)	(1,498)
Minority interest	0	0	0	0	0
Net profit	1,464	2,501	3,557	4,706	5,991
EPS (Bt)	0.69	1.18	1.68	2.22	2.83

Statement of Financial Position (Btmn)

Year to 31 Dec	2016	2017	2018E	2019E	2020E
Cash	539	1,154	598	808	1,010
Investments	0	0	0	0	0
Net loan receivables	22,896	34,452	48,035	64,586	80,287
Properties foreclosed	0	0	0	0	0
Net premises and equipment	772	1,022	1,329	1,727	2,073
Other assets	218	326	411	541	541
Total assets	24,426	36,953	50,373	67,662	83,912
Bank loans	14,885	12,649	15,526	10,584	12,982
Debentures	2,326	14,409	16,409	19,909	23,409
Other liabilities	522	952	6,318	20,844	25,947
Total liabilities	17,733	28,010	38,254	51,337	62,338
Paid-up capital	2,120	2,120	2,120	2,120	2,120
Capital surplus	2,380	2,380	2,380	2,380	2,380
Other components	0	(30)	(30)	0	0
Retained earnings	2,192	4,473	7,649	11,825	17,074
Total equity of the company	6,692	8,943	12,119	16,325	21,574
Minority interest	0	0	0	0	0
Total equity	6,692	8,943	12,119	16,325	21,574

Income Statement (Btmn)

Year to 31 Dec	2Q17	3Q17	4Q17	1Q18	2Q18
Interest income	1,600	1,796	1,984	2,140	2,314
Interest expense	(149)	(189)	(213)	(230)	(258)
Net interest income	1,451	1,607	1,771	1,910	2,056
Non-interest income	165	172	191	208	222
Net operating income	1,616	1,779	1,962	2,118	2,279
Non-interest expense	(711)	(805)	(869)	(920)	(986)
Pre-provision profit	906	974	1,093	1,198	1,293
Provision expense	(198)	(169)	(167)	(156)	(158)
Pre-tax profit	708	805	926	1,042	1,135
Corporate tax	(137)	(154)	(183)	(208)	(223)
Minority interest	0	0	0	0	0
Net profit	571	650	743	834	912
EPS (Bt)	0.27	0.31	0.35	0.39	0.43

Key Financial Ratios

Year to 31 Dec	2016	2017	2018E	2019E	2020E
Gross loan receivables growth (%)	86.4	51.3	40.0	35.0	25.0
Net interest income growth (%)	84.8	65.8	42.9	34.7	27.9
Non-net interest income growth (%)	35.6	49.4	35.0	30.0	25.0
Pre-provision profit growth (%)	102.9	76.5	42.3	32.0	26.6
Net profit growth (%)	77.5	70.8	42.3	32.3	27.3
NIM (%)	20.4	20.7	20.4	20.1	19.9
Cost to income (%)	48.3	44.3	44.2	45.2	45.6
Credit cost (bps)	183.4	229.7	220.0	210.0	200.0
ROA (%)	7.8	8.1	8.1	8.0	7.9
ROE (%)	23.7	32.0	33.8	33.1	31.6
EPS (Bt)	0.7	1.2	1.7	2.2	2.8
BVPS (Bt)	3.2	4.2	5.7	7.7	10.2
DPS (Bt)	0.1	0.2	0.3	0.4	0.4
Gross NPL ratio (%)	1.1	1.2	1.5	1.6	1.5
Coverage (%)	257.4	265.4	254.0	262.6	306.6
P/E (x)	70.6	41.3	29.1	22.0	17.3
P/BV (x)	15.4	11.6	8.5	6.3	4.8
Dividend yield (%)	0.2	0.4	0.5	0.7	0.8

