

Muang Thai Capital

(MTC.BK/MTC TB)*

Outperform Maintained

Price as of 16 Nov 2020	54.00
12M target price (Bt/shr)	61.00
Unchanged/Revised up (down) (%)	Unchanged
Upside/downside (%)	13.0

Key messages

MTC reported 3Q20 earnings of Bt1.3bn (+6% QoQ, +24% YoY). The result was 4% above our forecast and 3% above the market consensus. The company's 9M20 earnings were Bt3.8bn (+24% YoY), accounting for 78% of our full-year forecast. We believe it is likely that full-year earnings may exceed our forecast by around 4-5%. As a micro finance play, we maintain a rating of Outperform with a current 2021 target price of Bt61.00 (based on 2-yr PE average 25x).

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3Q20 earnings review: Reversal LLR boosted bottom line

Event

MTC reported 3Q20 earnings of Bt1.3bn (+6% QoQ, +24% YoY). The result was 4% above our forecast and 3% above the market consensus. The company's 9M20 earnings were Bt3.8bn (+24%), accounting for 78% of our full-year forecast.

Impact

Several items missed inside

The company's provisioning expense was lower than forecast due to reversal of loan loss as income of around Bt105mn. Interest expense was higher than expected, while operating expense declined more than expected.

Loan grew a strong 6% QoQ and 24% YoY

Loans growth accelerated to 6% QoQ and 24% YoY due to seasonal loan demand and the end of unemployment compensation program during the COVID-19 outbreak. Loan yield was relatively maintained at 21.2%. However, funding cost was stable and there was no benefit from lower funding amidst the downward trend in interest rate.

Squeezed opex for bottom line growth

MTC turned to squeezing operating expense in the quarter, as its operating expense rose just 1% QoQ and 7% YoY in 3Q20 and 19% in 9M20. As a result, the cost/income ratio stayed lower at 41% in 3Q20, versus 43% in 2Q20 and 42% in 9M20. Low operating expense in 3Q20 implies risk of a rise in opex in 4Q20.

Asset quality maintained

The company continued with its debt assistance program for debtors impacted by the COVID-19 pandemic. MTC also received soft loans from Bank of Thailand (BoT) for troubled debtors. These resulted in the company maintaining its NPL ratio at a low 1%.

Valuation and action

Though 3Q20 earnings were higher than our forecast and 9M20 earnings accounted for 78% of our full-year forecast, it is likely that full-year earnings may exceed our forecast by around 4-5%. As a micro finance play, we maintain a rating of Outperform with a current 2021 target price of Bt61.00 (based on 2-yr PE average 25x).

Risks

NPL ratio >3% of loan, credit cost >100bps.

Key financials and valuations

	Dec-17A	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Pre-pro. profit (Bt)	3,785	5,213	5,847	6,290	7,466	9,282
Pretax profit (Bt m)	3,106	4,627	5,293	5,701	6,759	8,584
Net income (Bt m)	2,501	3,713	4,237	4,858	5,762	6,307
EPS (Bt)	1.18	1.75	2.00	2.29	2.72	2.98
DPS	0.18	0.26	0.30	0.35	0.50	1.50
Dividend Yield (%)	0.4	0.5	0.5	0.6	0.9	2.8
P/E (x)	37.3	27.7	30.1	23.6	19.9	18.2
P/BV (x)	10.4	8.4	8.0	5.7	4.9	3.1
ROAA (%)	8.1	8.6	7.6	7.5	6.9	6.8
ROAE (%)	32.0	35.0	30.0	28.1	24.8	24.1

Source: Company data, KGI Research

Figure 1: MTC's quarterly earnings

Bt mn	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	% chg		9M19	9M20	% chg
												QoQ	YoY			
Income Statement (Bt mn)																
Interest income	2,140	2,314	2,478	2,612	2,665	2,862	3,105	3,248	3,332	3,385	3,555	5.0	14.5	8,632	10,272	19.0
Interest expense	230	258	293	319	331	363	408	425	433	447	467	4.5	14.6	1,101	1,347	22.3
Interest income - net	1,910	2,056	2,185	2,293	2,334	2,500	2,697	2,822	2,900	2,938	3,088	5.1	14.5	7,531	8,925	18.5
Operating expense	916	985	1,060	1,139	1,154	1,232	1,428	1,500	1,491	1,520	1,533	0.9	7.4	3,814	4,545	19.2
Operating profit	993	1,071	1,125	1,155	1,180	1,267	1,269	1,322	1,408	1,418	1,555	9.6	22.5	3,717	4,381	17.9
Provisioning expense	156	158	160	112	117	189	116	132	(68.7)	24.7	52.0	110.9	(55.2)	422	8	(98.1)
Other income	208	222	233	208	193	209	200	207	208	180	182	0.8	(8.9)	601	570	(5.1)
Pre-tax profit	1,042	1,135	1,198	1,252	1,256	1,287	1,352	1,398	1,685	1,572	1,682	7.0	24.4	3,895	4,940	26.8
Income tax	208	223	233	250	251	266	272	267	316	307	344	12.2	26.7	789	968	22.7
Net profit	834	912	965	1,002	1,005	1,021	1,080	1,131	1,237	1,267	1,340	5.8	24.0	3,107	3,844	23.7
EPS (Bt)	0.39	0.43	0.46	0.47	0.47	0.48	0.51	0.53	0.58	0.60	0.63	5.8	24.0	1.47	1.81	23.7
Profitability (%)																
Loan yield	22.5%	22.3%	22.1%	21.7%	21.1%	21.1%	21.5%	21.6%	21.3%	21.4%	21.2%					
Loan yield + fee	24.6%	24.3%	24.0%	23.3%	22.5%	22.4%	22.8%	22.8%	22.5%	22.5%	22.3%					
Cost of funds	4.0%	3.9%	4.1%	4.1%	4.1%	4.0%	4.3%	4.3%	4.2%	4.0%	4.0%					
Loan spread	20.6%	20.4%	19.9%	19.3%	18.4%	18.4%	18.6%	18.5%	18.3%	18.5%	18.2%					
Cost-to-income ratio	39.3%	39.1%	39.5%	40.6%	40.6%	40.5%	43.4%	43.7%	42.3%	42.7%	41.1%					
Effective tax rate	20.0%	19.6%	19.4%	20.0%	20.0%	20.7%	20.1%	19.1%	20.4%	19.5%	20.4%					
ROAA	8.6%	8.6%	8.5%	8.2%	7.7%	7.3%	7.3%	7.3%	7.3%	7.2%	7.4%					
ROAE	34.1%	35.4%	34.2%	32.6%	30.2%	29.6%	29.1%	28.3%	28.5%	28.2%	27.8%					
Growth (% YoY)																
Loan growth	46.4%	41.5%	38.5%	34.9%	33.1%	31.0%	28.7%	25.4%	23.6%	16.3%	16.2%					
Revenue growth	50%	44%	38%	30%	22%	21%	22%	22%	24%	16%	13%					
Operating income growth	48%	44%	40%	27%	19%	18%	13%	15%	19%	12%	23%					
LLP growth	7%	-20%	-5%	-33%	-25%	20%	-27%	18%	-159%	-87%	-55%					
Other income growth	40%	34%	36%	9%	-7%	-6%	-14%	0%	8%	-14%	-9%					
Net profit growth	55%	60%	48%	35%	21%	12%	12%	13%	23%	24%	24%					
Branch	2,638	2,889	3,178	3,279	3,444	3,739	3,961	4,107	4,294	4,568	4,798					
New branch	214	251	289	101	165	295	222	146	187	274	230					
Loan (Bt bn)	38.0	41.5	44.8	48.0	50.59	54.32	57.65	60.25	62.54	63.17	66.99					
Loan growth (yoy %)	46.4	41.5	38.5	34.9	33.1	31.0	28.7	25.4	23.6	16.3	16.2					
Asset quality																
NPL (Bt mn)	491	559	566	540	527	595	565	621	738	686	699					
NPL ratio (%)	1.29	1.35	1.26	1.12	1.04	1.10	0.98	1.03	1.18	1.09	1.04					
LLR/Loan (%)	3.37	3.33	3.27	3.12	3.06	3.02	2.90	2.84	2.37	2.21	2.01					
Credit cost (bps)	164	152	143	93	92	139	83	90	39.9	15.6	31.1					
NPL coverage (%)	261	247	259	278	294	276	296	276	201	204	192					

Source: Company data, KGI Research

Corporate Governance Report of Thai Listed Companies



Companies with Excellent CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
EGCO	ELECTRICITY GENERATING	KTB	KRUNG THAI BANK	TISCO	TISCO FINANCIAL GROUP
KBANK	KASIKORN BANK	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING		
KKP	KIATNAKIN BANK	SCB	THE SIAM COMMERCIAL BANK		



Companies with Very Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	ERW	THE ERAWAN GROUP	SCC	THE SIAM CEMENT
AOT	AIRPORTS OF THAILAND	GFPT	GFPT	SPALI	SUPALAI
AP	ASIAN PROPERTY DEVELOPMENT	IFEC	INTER FAR EAST ENGINEERING	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
BBL	BANGKOK BANK	LPN	L.P.N. DEVELOPMENT	SVI	SVI
BH	BUMRUNGRAD HOSPITAL	MINT	MINOR INTERNATIONAL	TASCO	TIPO ASPHALT
BIGC	BIG C SUPERCENTER	PS	PRUKSA REAL ESTATE	TCAP	THANACHART CAPITAL
CK	CH. KARNCHANG	QH	QUALITY HOUSES	TMB	TMB BANK
CPALL	CP ALL	ROBINS	ROBINSON DEPARTMENT STORE	TRUE	TRUE CORPORATION
CPN	CENTRAL PATTANA	RS	RS		
DRT	DIAMOND ROOFING TILES	SAMART	SAMART CORPORATION		



Companies with Good CG Scoring

Stock	Company name	Stock	Company name	Stock	Company name
CENTEL	CENTRAL PLAZA HOTEL	HMPRO	HOME PRODUCT CENTER	MAKRO	SIAM MAKRO
DCC	DYNASTY CERAMIC	ILINK	INTERLINK COMMUNICATION	MODERN	MODERNFORM GROUP
GL	GROUP LEASE	KTC	KRUNGTHAI CARD	TRT	TIRATHAI
GLOW	GLOW ENERGY	MAJOR	MAJOR CINEPLEX GROUP	TVO	THAI VEGETABLE OIL

Companies classified Not in the three highest score groups

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	CHG	CHULARAT HOSPITAL	NOK	NOK AIRLINES
ANAN	ANANDA DEVELOPMENT	CKP	CK POWER	PACE	PACE DEVELOPMENT CORPORATION
BA	BANGKOK AIRWAYS	DTAC	TOTAL ACCESS COMMUNICATION	SAWAD	SRI SAWAD POWER 1979
BCH	BANGKOK CHAIN HOSPITAL	GLOBAL	SIAM GLOBAL HOUSE	TMT	THAI METAL TRADE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	TPCH	TPC POWER HOLDING
BEM	BANGKOK EXPRESSWAY AND METRO	GUNKUL	GUNKUL ENGINEERING	WHA	WHA CORPORATION
BJCHI	BJC HEAVY INDUSTRIES	LPH	LADPRAO GENERAL HOSPITAL	WORK	WORKPOINT ENTERTAINMENT
CBG	CARABAO GROUP	MTLS	MUANGTHAI LEASING		

Source: www.thai-iod.com

Disclaimer: The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of such survey result.

Anti-corruption Progress Indicator

Level 5: Extended

Stock	Company name	Stock	Company name	Stock	Company name
CPN	CENTRAL PATTANA	SCC	THE SIAM CEMENT		

Level 4: Certified

Stock	Company name	Stock	Company name	Stock	Company name
ADVANC	ADVANCED INFO SERVICE	IFEC	INTER FAR EAST ENGINEERING	SVI	SVI
BBL	BANGKOK BANK	KBANK	KASIKORN BANK	TCAP	THANACHART CAPITAL
DCC	DYNASTY CERAMIC	KKP	KIATNAKIN BANK	TISCO	TISCO FINANCIAL GROUP
DRT	DIAMOND ROOFING TILES	KTB	KRUNG THAI BANK	TMB	TMB BANK
EGCO	ELECTRICITY GENERATING	MINT	MINOR INTERNATIONAL		
ERW	THE ERAWAN GROUP	SCB	THE SIAM COMMERCIAL BANK		

Level 3: Established

Stock	Company name	Stock	Company name	Stock	Company name
AAV	ASIA AVIATION	DTAC	TOTAL ACCESS COMMUNICATION	PACE	PACE DEVELOPMENT CORPORATION
ANAN	ANANDA DEVELOPMENT	GFPT	GFPT	PS	PRUKSA REAL ESTATE
AP	ASIAN PROPERTY DEVELOPMENT	GL	GROUP LEASE	RATCH	RATCHABURI ELECTRICITY GENERATING HOLDING
BA	BANGKOK AIRWAYS	GLOW	GLOW ENERGY	ROBINS	ROBINSON DEPARTMENT STORE
BDMS	BANGKOK DUSIT MEDICAL SERVICES	GPSC	GLOBAL POWER SYNERGY	SAMART	SAMART CORPORATION
BIGC	BIG C SUPERCENTER	HMPRO	HOME PRODUCT CENTER	SPALI	SUPALAI
BJCHI	BJC HEAVY INDUSTRIES	KTC	KRUNGTHAI CARD	STEC	SINO-THAI ENGINEERING AND CONSTRUCTION
CENEL	CENTRAL PLAZA HOTEL	LPN	L.P.N. DEVELOPMENT	TASCO	TIPCO ASPHALT
CHG	CHULARAT HOSPITAL	MAKRO	SIAM MAKRO	TMT	THAI METAL TRADE
CK	CH. KARNCHANG	MODERN	MODERNFORM GROUP	TPCH	TPC POWER HOLDING
CKP	CK POWER	NOK	NOK AIRLINES	WHA	NOK AIRLINES

Level 2: Declared

Stock	Company name	Stock	Company name	Stock	Company name
AOT	AIRPORTS OF THAILAND	GUNKUL	GUNKUL ENGINEERING	QH	QUALITY HOUSES
BH	BUMRUNGRAD HOSPITAL	ILINK	INTERLINK COMMUNICATION	TRT	TIRATHAI
GLOBAL	SIAM GLOBAL HOUSE	MTLS	MUANGTHAI LEASING	TVO	THAI VEGETABLE OIL

Level 1: Committed

Stock	Company name	Stock	Company name	Stock	Company name
CBG	CARABAO GROUP	RS	RS	SAWAD	SRI SAWAD POWER 1979
MAJOR	MAJOR CINEPLEX GROUP				

No progress

Stock	Company name	Stock	Company name	Stock	Company name
BCH	BANGKOK CHAIN HOSPITAL	CPALL	CP ALL	WORK	WORKPOINT ENTERTAINMENT
BEM	BANGKOK EXPRESSWAY AND METRO	LPH	LADPRAO GENERAL HOSPITAL		

Source: www.cgthailand.org

Disclaimer: The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by the relevant institution as disclosed by the Office of the Securities and Exchange Commission, is made in order to comply with the policy and sustainable development plan for the listed companies. The relevant institution made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, KGI Securities (Thailand) Public Company Limited (KGI) does not confirm, verify, or certify the accuracy and completeness of the assessment result.

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KGI's Ratings

Rating	Definition
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
Under perform (U)	The stock's excess return over the next twelve months is ranked in the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan).
Not Rated (NR)	The stock is not rated by KGI.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances. <i>Excess return = 12M target price/current price-</i>
Note	When an analyst publishes a new report on a covered stock, we rank the stock's excess return with those of other stocks in KGI's coverage universe in the related market. We will assign a rating based on its ranking. If an analyst does not publish a new report on a covered stock, its rating will not be changed automatically.

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