



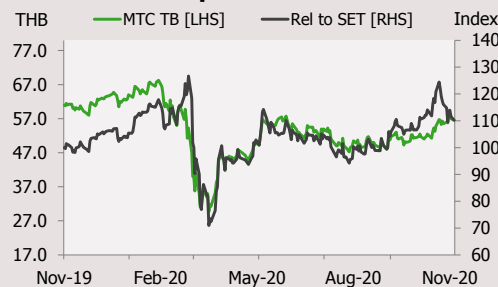
Muangthai Capital PCL

MTC TB	Outperform	
Target Price	Bt	64.50
Price (16/11/2020)	Bt	56.50
Upside	%	14.16
Valuation	DDM	
Sector	Finance & Securities	
Market Cap	Btm	119,780
30-day avg turnover	Btm	370.61
No. of shares on issue	m	2,120
CG Scoring	Excellent	
Anti-Corruption Indicator	Certified	

Investment fundamentals

Year end Dec 31	2019A	2020E	2021E	2022E
Company Financials				
Operating revenue (Bt m)	11,161	12,774	14,679	16,894
Core profit (Bt m)	4,237	5,112	5,805	7,098
Net profit (Bt m)	4,237	5,112	5,805	7,098
Net EPS (Bt)	2.00	2.41	2.74	3.35
DPS (Bt)	0.30	0.35	0.41	0.50
BV/shr (Bt)	7.53	9.53	11.87	14.74
Net EPS growth (%)	14.11	20.64	13.55	22.28
ROAA (%)	7.63	7.37	6.94	7.21
ROAE (%)	29.98	28.27	25.59	25.16
D/E (x)	2.87	2.81	2.59	2.40
Valuation				
PE (x)	34.27	23.43	20.63	16.88
PBV (x)	9.09	5.93	4.76	3.83
Dividend yield (%)	0.44	0.62	0.73	0.89

MTC TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

Disclaimer: KS or its affiliates is acting or may act as the underwriter, issuer, and/or market maker of the securities mentioned in this document and/or other financial instruments related to the securities mentioned in this document, including but not limited to, bonds, debentures, derivatives warrants, and structured notes. Investors should study the information contained in the prospectus or related document before investing in the shares and other financial instruments.

Analyst

Korakot Sawetkruttamat

Korakot.sa@kasikornsecurities.com

17 November 2020

Kasikorn Securities Public Company Limited

3Q20 earnings hit a new high as expected

- ▶ MTC reported 3Q20 earnings of Bt1.34bn (+6% QoQ, +24% YoY), a record high and in line with our forecast and the consensus estimate.
- ▶ Growth was driven by rising loans, a wider NIM, lower cost/income, and lower credit cost. 3Q20 asset quality looks fine with NPL ratio at 1.01%.
- ▶ We maintain our Outperform with a TP of Bt64.5. News of GSB's title loan plan may hurt MTC's stock price but should not affect its fundamentals.

Investment Highlights

- ▶ **3Q20 earnings set another record high, as expected.** MTC reported 3Q20 earnings of Bt1.34bn, up 6% QoQ and 24% YoY and setting another new high. The result was in line with our expectations and Bloomberg's consensus estimate. Earnings grew slightly QoQ on the back of loan growth driven by a demand recovery after the easing of the lockdown in June, better NIM, and a lower cost/income ratio. The significant growth YoY was driven by strong loan growth of 9% YoY from a branch expansion to 4,798 locations as of 3Q20, up from 3,961 branches in 3Q19, and lower credit cost. 9M20 earnings account for 75% of our 2020 earnings forecast of Bt5.1bn.
- ▶ **PPOP rose QoQ, YoY as well.** 3Q20 PPOP came in at Bt1.74bn, up 9% QoQ and 18% YoY. The QoQ growth was driven by 1) higher NII by 5% QoQ on a better NIM to 18.95%, up from 18.67% on higher loan yield and loan growth of 6% QoQ; and 2) a drop in cost/income ratio to 47% from 49% in 2Q20 and 3Q19 due to tightened cost controls. PPOP rose strongly YoY on solid loan growth of 9% from the branch expansion, lower cost/income ratio, and a credit cost of 32bps, down from 79bps in 3Q19.
- ▶ **NPL ratio was stable with high coverage ratio.** MTC reported a 3Q20 NPL ratio of 1.01%, flat QoQ and up only slightly from 0.9% in 3Q19. NPL formation edged higher to Bt120mn in 3Q20 from Bt32mn in 2Q20 but was still close to its 3-year historical average of Bt94mn per quarter. Credit cost increased to 32bps in 3Q20 from 16bps in 2Q20 and ECL coverage ratio remained high at 199%.
- ▶ **Expect 4Q20 earnings to hit another record high.** In 4Q20, we expect MTC to continue to report strong earnings growth both QoQ and YoY and to set another record high. The key earnings growth driver should be 1) loan growth on higher demand from increasing business activity and farm income; 2) lower cost of funds thanks to a full-quarter contribution from GSB's soft loan; and 3) expected stable ECL.

Valuation and Recommendation

- ▶ We maintain our Outperform rating with a target price of Bt64.5. In the short term, news about GSB's plan to enter the title loan business may hurt sentiment in MTC, but we believe the actual impact on MTC will be minimal in terms of fundamentals as we expect GSB will need time to roll out its products/services nationwide and the target group may differ from MTC's. If the share price falls on this issue, we believe it would provide an opportunity to accumulate the stock.


Fig 1 3Q20 earnings review

Profit & Loss (Btm)	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	QoQ, %	YoY, %	2020E	vs YTD	Comment
Interest income	3,105	3,248	3,332	3,385	3,555	5%	15%	13,852	74%	
Interest expense	408	425	433	447	467	4%	15%	1,838	73%	
Net interest income	2,697	2,822	2,900	2,938	3,088	5%	14%	12,014	74%	In line
Net fee income	200	207	208	180	182	1%	-9%	760	75%	
Operating income	2,897	3,030	3,108	3,118	3,270	5%	13%	12,774	74%	
Operating expenses	1,428	1,500	1,491	1,520	1,533	1%	7%	6,167	74%	
PPOP	1,469	1,530	1,616	1,598	1,736	9%	18%	6,607	75%	In line
Provision charges	116	132	62	25	52	111%	-55%	220	63%	
Op profit after prov'ns	1,352	1,398	1,554	1,573	1,684	7%	25%	6,388	75%	
Net non operating items	0	0	0	0	0					
Goodwill amortisation	0	0	0	0	0					
Pre-tax profit	1,352	1,398	1,554	1,573	1,684	7%	25%	6,388	75%	
Income tax	272	267	316	307	344	12%	27%	1,275	76%	
Profit after tax	1,080	1,131	1,237	1,267	1,340	6%	24%	5,112	75%	
Minority interests	0	0	0	0	0			0		
Share in subsids/assocs	0	0	0	0	0			0		
Extraordinary items	0	0	0	0	0			0		
Reported net profit	1,080	1,131	1,237	1,267	1,340	6%	24%	5,112	75%	In line
EPS (basic, Bt)	0.51	0.53	0.58	0.60	0.63	6%	24%	2.41	75%	
EPS (fully diluted, Bt)	0.51	0.53	0.58	0.60	0.63	6%	24%	2.41	75%	
BVPS (Bt)	7.01	7.53	8.18	8.48	9.11	7%	30%	9.53		

Balance sheet (Btm)	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	QoQ, %	YoY, %	2020E	Comment
Gross loans	61,538	60,253	62,539	63,174	66,995	6%	9%	69,650	2% above
Accumulated provisions	1,670	1,714	1,483	1,398	1,344	-4%	-20%	1,336	
Net loans & accrued	59,868	58,539	61,055	61,777	65,651	6%	10%	68,314	
Cash	956	783	816	1,964	794	-60%	-17%	2,152	
Interbank assets	69	75	74	69	80	16%	16%	69	
Investments	0	0	0	0	0			0	
Loans receivable from purchase of loans	0	0	0	0	0			0	
Foreclosed properties	0	0	0	0	0			0	
Fixed assets	1,547	1,778	1,862	1,941	2,009	4%	30%	2,074	
Goodwill & intangible assets	0	0	3,409	3,547	3,522			3,547	
Other assets	624	613	662	619	626	1%	0%	736	
Total assets	59,207	61,872	68,013	70,083	72,902	4%	23%	76,891	
Customer deposits	0	0	0	0	0			0	
Additional funding (inter bank, loans, etc.)	0	0	0	0	0			0	
Short term borrowings	14,395	14,689	18,109	15,001	18,005	20%	25%	3,482	
Long term borrowings	28,778	29,494	30,781	35,455	34,019	-4%	18%	2,816	
Other liabilities	1,179	1,717	1,784	1,656	1,564	-6%	33%	113	
Minority interest	0	0	0	0	0			0	
Shareholders' funds	14,856	15,972	17,339	17,971	19,314	7%	30%	20,199	
NPLs	565	622	738	661	674	2%	19%	792	3% below

Ratios (% , ann)	3Q19A	4Q19A	1Q20A	2Q20A	3Q20A	QoQ, ppt	YoY, ppt	2020E	Comment
Yield on IEAs	21.07	21.31	21.68	21.52	21.82	0.31	0.75	21.30	24bps above
Cost of funds (IBLs)	3.88	3.89	3.72	3.60	3.65	0.05	(0.24)	3.71	12bps above
Net interest spread	17.19	17.41	17.97	17.92	18.18	0.26	0.98	17.60	14bps above
Net interest margin	18.31	18.52	18.87	18.67	18.95	0.28	0.65	18.48	19bps above
Cost/income	49	50	48	49	47	(2)	(2)	48	In line
ROA	7.51	7.47	7.62	7.34	7.50	0.16	(0.02)	7.37	
Avg assets/avg SHF (x)	4.0	3.9	3.9	3.9	3.8	(0.1)	(0.2)	3.8	
ROE	30.2	29.3	29.7	28.7	28.8	0.1	(1.4)	28.3	
Gross loans/deposits and borrowing	143	136	128	125	128	3	(15)		
NPLs/loans	0.9	1.0	1.2	1.0	1.0	(0.0)	0.1	1.1	10bps below
Reserve coverage	296	276	201	212	199	(12)	(96)	169	In line
Credit cost (bps)	79	87	41	16	32	16	(47)	34	8bps below

Source: MTC, KS Research



MTC : Year-end 31 Dec

Income Statement (Btmn)	2018A	2019A	2020E	2021E	2022E	Key Statistics & Ratios	2018A	2019A	2020E	2021E	2022E
Interest income	9,544	11,880	13,852	15,948	18,260	Per share (Bt)					
Interest expenses	-1,100	-1,527	-1,838	-2,088	-2,313	Reported EPS	1.75	2.00	2.41	2.74	3.35
Net Interest Income	8,444	10,353	12,014	13,860	15,948	DPS	0.26	0.30	0.35	0.41	0.50
Non-interest income	869	808	760	819	946	BV	5.80	7.53	9.53	11.87	14.74
Non-interest expenses	-4,100	-5,314	-6,167	-6,672	-7,152	Valuation analysis					
PPOP	5,213	5,847	6,607	8,007	9,742	Reported P/E (x)	25.7	34.3	23.4	20.6	16.9
Provision charges	-586	-554	-220	-750	-870	P/BV (x)	7.8	9.1	5.9	4.8	3.8
Profit after provision	4,627	5,293	6,388	7,256	8,873	Dividend yield (%)	0.6	0.4	0.6	0.7	0.9
Net non-operating item	0	0	0	0	0	Profitability ratios					
Pre-tax profit	4,627	5,293	6,388	7,256	8,873	Yield on IEAs (%)	22.79	21.91	21.30	21.19	20.95
Income tax	-913	-1,056	-1,275	-1,451	-1,775	Cost of funds (%)	3.51	3.83	3.71	3.52	3.38
NPAT	3,713	4,237	5,112	5,805	7,098	Spread (%)	19.27	18.08	17.60	17.67	17.57
Minority interests	0	0	0	0	0	Net interest margin (%)	20.16	19.10	18.48	18.42	18.29
Core Profit	3,713	4,237	5,112	5,805	7,098	Cost to income (%)	44.03	47.61	48.27	45.46	42.33
Extraordinary items	0	0	0	0	0	Pre-Provision ROAA (%)	12.11	10.53	9.52	9.57	9.90
FX gain (loss)	0	0	0	0	0	ROAA (%)	8.63	7.63	7.37	6.94	7.21
Reported net profit	3,713	4,237	5,112	5,805	7,098	Pre-Provision ROAE (%)	49.08	41.37	36.53	35.30	34.53
Balance Sheet (Btmn)						ROAE (%)	34.96	29.98	28.27	25.59	25.16
Cash & equivalents	880	783	2,152	4,481	7,476	Asset Quality					
Net loans	46,548	58,539	68,314	79,055	91,501	Credit cost (%)	1.40	1.02	0.34	1.00	1.00
Other current assets	134	135	220	255	296	NPL ratio (%)	1.12	1.03	1.14	1.16	1.19
Fixed assets-net	1,269	1,778	2,074	2,403	2,784	Coverage ratio (%)	277.71	275.66	168.81	175.17	180.43
Deferred tax assets	0	0	305	354	410	Leverage Ratios					
Other non-current assets	316	636	3,827	3,861	3,900	Loans/borrowing (x)	135.33	136.37	126.56	126.96	127.36
Total assets	49,146	61,872	76,891	90,410	106,366	Debt/Equity (x)	3.00	2.87	2.81	2.59	2.40
Short-term debt	11,042	14,689	19,151	22,084	25,465	Growth					
Long-term debt	24,463	29,494	35,883	41,480	47,949	Loan growth (%)	34.88	25.40	15.60	15.87	15.87
Other liabilities	1,342	1,717	1,658	1,677	1,698	Borrowing growth (%)	31.01	24.44	24.56	15.50	15.50
Total liabilities	36,847	45,900	56,692	65,241	75,112	Total income (%)	39.83	21.84	15.17	14.75	14.55
Paid-up capital	2,120	2,120	2,120	2,120	2,120	Net interest income (%)	37.93	22.61	16.04	15.37	15.07
Share premium	2,380	2,380	2,380	2,380	2,380	Non-interest income (%)	33.25	-7.03	-5.97	7.78	15.50
Retained earnings	7,799	11,472	15,709	20,679	26,764	PPOP (%)	37.71	12.17	13.00	21.18	21.68
Minority interests	0	0	0	0	0	Reported net profit (%)	48.50	14.11	20.64	13.55	22.28
Total shareholders' equity	12,299	15,972	20,199	25,169	31,254	Reported EPS (%)	48.50	14.11	20.64	13.55	22.28
Total equity & liabilities	49,146	61,872	76,891	90,410	106,366						

Source: Company, KS estimates



Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security(ies) and subject company(ies); and no part of the compensation of the research analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Investment Ratings

Outperform: Expected total return of 10% or more within a 12-month period
Neutral: Expected total return between -10% and 10% within a 12-month period
Underperform: Expected total return of -10% or worse within a 12-month period

General Disclaimer

This document is prepared by Kasikorn Securities Public Company Limited ("KS"). This document has been prepared for individual clients of KS only and must not, either in whole or in part, be copied, photocopied or duplicated in any form or by any means or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this research in any way. If you received it in error, please immediately notify KS by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person.

This document, including information, data, statements, forecasts, analysis and projections contained herein, including any expression of opinion, is based on public available information or information obtained from sources believed to be reliable, but KS does not make any representation or warranty on, assumes no responsibilities for nor guarantees the accuracy, completeness, correctness or timeliness of such information. KS accepts no obligation to correct or update the information or opinions in it. The statements or expressions of opinion herein were arrived at after due and careful consideration and they were based upon such information or sources then, and in our opinion are fair and reasonable in the circumstances prevailing at the time. The information or expressions of opinion contained herein are subject to change without notice.

Nothing in this document shall be construed as an offer or a solicitation of an offer to buy or sell any securities or products, or to engage in or refrain from engaging in any transaction. In preparing this document, KS did not take into account your specific investment objectives, financial situation or particular needs. This document is for your information only and is not to be taken in substitution for the exercise of your judgment. KS salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions which are contrary to the opinions expressed in this document. Before making an investment decision on the basis of this document, you should obtain independent financial, legal or other advice and consider the appropriateness of investment in light of your particular investment needs, objectives and financial circumstances. There are risks involved in the investment in securities. KS accepts no liability whatsoever for any direct, indirect, consequential or other loss (including claim for loss of profit) arising from any use of or reliance upon this document and/or further communication given in relation to this document.

Any valuations, opinions, estimates, forecasts, projections, ratings or risk assessments herein constitute a judgment as of the date of this document, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments. Any valuations, opinions, estimates, forecasts, projections, ratings or risk assessments described in this document were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties or contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, projections, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, projections, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by KS (i) that such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments or their underlying assumptions will be achieved, or (ii) that there is an assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments stated therein.

KS along with its affiliates and/or persons associated with it may from time to time have interests in the securities mentioned in this document. KS and its associates, their directors and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking, advisory and other securities services for companies mentioned in this document.

Corporate Governance Report 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 companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at <http://www.thai-iod.com/en/publications-detail.asp?id=170>. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. KS does not confirm nor certify the accuracy of such survey result.

Structured Notes and Derivative Warrants Disclaimer

KS may be the issuer of structured notes on these securities.

KS acts as market maker and issuer of Derivative Warrants ("DWs") on the underlying stocks listed below. Investors should carefully read the details of the DWs in the prospectus before making any investment decisions.

DWs Underlying Stocks: ADVANC, AOT, AWC, BANPU, BBL, BDMS, BEM, BGRIM, BJC, BTS, CBG, CENTEL, CK, CKP, COM7, CPALL, CPF, CPN, CRC, DOHOME, EA, GPSC, GULF, HANA, HMPRO, INTUCH, IRPC, IVL, JMT, KCE, KTC, LH, MINT, MTC, OSP, PLANB, PRM, PTG, PTT, PTTEP, PTTGC, RATCH, SAWAD, SCB, SCC, SET50, SPRC, STA, STEC, TASCO, TISCO, TOP, TQM, TRUE, TU, VGI and WHA.