

18 November 2020

## Company Note

Rating

**BUY**

(Unchanged)

Company

## Muangthai Capital

Bloomberg

SET

Exchange

Sector

MTC TB

MTC

SET

Finance & Securities

## Key highlights from conference call

<b>12mth price target (THB)</b>	<b>70</b>
Current price (17/11/2020)	55.25
Upside/Downside	27%
CG rating	5
ESG rating	-
Thai CAC	Certified

### Share summary

Issued shares :	(m shrs)	2,120.0
Market capitalization:	(THB bn)	117.1
	(USDbn)	3.9
Avg. Daily Turnover:	(THBm)	509.6
	(USDm)	16.9
Foreign Limit/Actual	(%)	49/11
Free Float:	(%)	32.1
NVDR:	(%)	5.2

### Share price / rel. to SET



Source: Bloomberg Finance LP

Performance (%)	1m	3m	12m
MTC	5.24	11.06	(7.92)
SET	8.60	2.19	(15.75)

### Major Shareholders

	%
Daonapa Petampai	33.96%
Chuchat Petampai	33.49%
South East Asia UK (Type C) Nominees	2.51%

Source: SET

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We hosted a conference call for foreign institutional funds with the management team of Muangthai Capital (MTC), represented by Mr. Chuchat Petaumpai, Chairman & CEO, Mr. Parithad Petampai, Deputy Managing Director and Mr. Surat Chayavoradech, Chief Financial Officer. Below are the key highlights from the post 3Q20 results announcement and the company's strategies moving into 2021.

- Loan demand strengthened further from Oct to mid-Nov, supported by the agricultural harvest season and pick-up in spending activity. Hence, management is maintaining its pre-COVID loan growth target of 20-25% for 2020 and at least 20% for next year.
- MTC is ready to scale up its new motorcycle hire purchase product after testing the product over the last year. MTC will offer this product only to existing customers at a more competitive rate than competitors (interest rate of 27.0% vs. industry average of 35.0%). Management is confident it can maintain NPL ratio below the industry average given its customer track record.
- Moving into 2021, MTC plans to open another 600 branches. This follows the company already exceeding this year's target of 4,700 branches, opening 4,798 branches as of end 3Q20. The company will continue to focus on volume growth and improving efficiency.
- As the company drew down Bt5.0bn in soft loans towards the end of 3Q20 (at an attractive interest rate of 2.0%), it sees its cost of funding declining further into 4Q20 from the 3Q20 level of 3.66%.
- The company plans to maintain its loan loss coverage ratio above the industry average at close to 200% (for 3Q20 the ratio stood at 199%).
- We re-iterate MTC as our sector top pick and see any share price pullback from news of a state bank entering the title-loan segment as a buying opportunity. In our view, it remains to be seen whether the new joint venture to be set up by the state bank with an existing company can be as competitive as low-cost market leader MTC. MTC boasts a rapid loan approval service (customers can obtain cash within 20min), extensive branch network, and service-minded employees, all of which give it a competitive edge.

### Forecasts and ratios

Year ended Dec 31	2018	2019	2020F	2021F	2022F
Net profit (THBm)	3,713	4,237	5,179	5,572	6,616
Net Profit (% chg from prev)	n.a.	n.a.	-	-	-
EPS (THB)	1.75	2.00	2.44	2.63	3.12
EPS (% YoY)	48.5	14.1	22.2	7.6	18.7
EPS vs Cons (%)	n.a.	n.a.	4.8	(2.2)	(1.8)
PER (X)	23.7	26.9	22.6	21.0	17.7
P/BV (X)	7.1	7.1	5.6	4.6	3.7
ROE (%)	34.9	30.0	27.1	23.9	23.1
Yield (%)	0.6	0.7	0.6	0.7	0.8

Source: Company data, TISCO Research

**Figure 1. Highlights of 3Q20 results: net profit growth of 24.0% YoY and 5.8% QoQ to Bt1,340m**

Bt, m	3Q19	4Q19	1Q20	2Q20	3Q20	YoY (%)	QoQ (%)
Interest income from loans	3,105	3,248	3,332	3,385	3,555	14.5	5.0
Interest expense	408	425	433	447	467	14.6	4.5
<b>Net interest income</b>	<b>2,697</b>	<b>2,822</b>	<b>2,900</b>	<b>2,938</b>	<b>3,088</b>	<b>14.5</b>	<b>5.1</b>
Non-interest income	200	207	208	180	182	-8.9	0.8
Non-interest expenses	1,428	1,500	1,491	1,520	1,533	7.4	0.9
<b>Earnings before tax &amp; provision</b>	<b>1,469</b>	<b>1,530</b>	<b>1,616</b>	<b>1,598</b>	<b>1,736</b>	<b>18.2</b>	<b>8.6</b>
Tax	272	267	303	290	334	22.7	15.1
<b>Core pre-provision profit</b>	<b>1,197</b>	<b>1,263</b>	<b>1,313</b>	<b>1,308</b>	<b>1,403</b>	<b>17.2</b>	<b>7.2</b>
Provision	116	132	131	110	106	-9.2	-3.9
<b>Core net profit</b>	<b>1,080</b>	<b>1,131</b>	<b>1,182</b>	<b>1,198</b>	<b>1,297</b>	<b>20.1</b>	<b>8.2</b>
Extra item (reversal of provision)	-	-	55	68	43	n.m.	-37.2
<b>Net profit</b>	<b>1,080</b>	<b>1,131</b>	<b>1,237</b>	<b>1,267</b>	<b>1,340</b>	<b>24.0</b>	<b>5.8</b>
<b>EPS (Bt)</b>	<b>0.51</b>	<b>0.53</b>	<b>0.58</b>	<b>0.60</b>	<b>0.63</b>	<b>24.0</b>	<b>5.8</b>
loan growth YoY	28.7	25.4	23.7	16.4	16.6		
loan growth QoQ	5.9	4.5	3.9	1.2	6.1		
Yield on earn'g assets (%)	22.16	22.04	21.71	21.57	21.81		
Cost on int-bear'g liab (%)	3.88	3.90	3.83	3.73	3.70		
Cost to income ratio (%)	49.3	49.5	48.0	48.7	46.9		
NPLs/total loans (%)	0.97	1.03	1.18	1.05	1.00		
Provision / total loan	0.81	0.88	0.84	0.69	0.69		
Provision(inc. reversal) / total loan	-	-	0.40	0.16	0.31		

Source: Company data, TISCO Research

## MTC - Quarterly results

	3Q19	4Q19	1Q20	2Q20	3Q20	% QoQ	% YoY	9M19	9M20	% YoY
<b>Profit &amp; Loss (THBm)</b>										
Interest income from loans	3,105	3,248	3,332	3,385	3,555	5.0	14.5	8,632	10,272	19.0
Interest expense	408	425	433	447	467	4.5	14.6	1,101	1,347	22.3
<b>Net interest income</b>	<b>2,697</b>	<b>2,822</b>	<b>2,900</b>	<b>2,938</b>	<b>3,088</b>	<b>5.1</b>	<b>14.5</b>	<b>7,531</b>	<b>8,925</b>	<b>18.5</b>
Non-interest income	200	207	208	180	182	0.8	-8.9	601	570	-5.1
Non-interest expenses	1,428	1,500	1,491	1,520	1,533	0.9	7.4	3,814	4,545	19.2
<b>Earnings before tax &amp; provision</b>	<b>1,469</b>	<b>1,530</b>	<b>1,616</b>	<b>1,598</b>	<b>1,736</b>	<b>8.6</b>	<b>18.2</b>	<b>4,317</b>	<b>4,951</b>	<b>14.7</b>
Tax	272	267	303	290	334	15.1	22.7	789	926	17.4
Core pre-provision profit	1,197	1,263	1,313	1,308	1,403	7.2	17.2	3,529	4,024	14.0
Provision	116	132	131	110	106	-3.9	-9.2	422	346	-17.9
<b>Core net profit</b>	<b>1,080</b>	<b>1,131</b>	<b>1,182</b>	<b>1,198</b>	<b>1,297</b>	<b>8.2</b>	<b>20.1</b>	<b>3,107</b>	<b>3,678</b>	<b>18.4</b>
Extra item	0	0	55	68	43	-37.2	n.m.	0	166	n.m.
<b>Net profit</b>	<b>1,080</b>	<b>1,131</b>	<b>1,237</b>	<b>1,267</b>	<b>1,340</b>	<b>5.8</b>	<b>24.0</b>	<b>3,107</b>	<b>3,844</b>	<b>23.7</b>
<b>EPS (Bt)</b>	<b>0.51</b>	<b>0.53</b>	<b>0.58</b>	<b>0.60</b>	<b>0.63</b>	<b>5.8</b>	<b>24.0</b>	<b>1.47</b>	<b>1.81</b>	<b>23.7</b>

## Key Balance Sheet items (THBm)

Cash	956	783	816	1,964	794			956	794	
<b>Gross loans</b>	<b>57,647</b>	<b>60,253</b>	<b>62,584</b>	<b>63,341</b>	<b>67,213</b>			<b>57,647</b>	<b>67,213</b>	
Loan loss reserve	1,670	1,714	1,483	1,398	1,344			1,670	1,344	
Net loans	55,977	58,539	61,101	61,943	65,869			55,977	65,869	
Other assets	3,197	3,247	6,833	8,140	7,032			3,197	7,032	
Total assets	59,174	61,786	67,933	70,083	72,901			59,174	72,901	
Borrowings	43,154	44,163	46,179	49,643	51,223			43,154	51,223	
Other liabilities	1,198	1,737	3,897	2,469	2,365			1,198	2,365	
Total liabilities	44,351	45,900	50,076	52,112	53,588			44,351	53,588	
<b>Paid-up capital</b>	<b>2,120</b>	<b>2,120</b>	<b>2,120</b>	<b>2,120</b>	<b>2,120</b>			<b>2,120</b>	<b>2,120</b>	
Total Equities	14,856	15,972	17,339	17,971	19,314			14,856	19,314	

## Credit Quality

NPLs/Total loans (%)	0.98	1.03	1.18	1.05	1.00			0.98	1.00	
LLR/NPLs (%)	295.8	275.8	200.9	211.6	199.3			295.79	199.34	
Provision/Total loans (%)	0.81	0.88	0.84	0.69	0.63			0.98	0.69	

## Growth Rates & Key Ratios

<b>Loan growth YoY (%)</b>	<b>28.7</b>	<b>25.4</b>	<b>23.7</b>	<b>16.4</b>	<b>16.6</b>			<b>20.0</b>	<b>16.6</b>	
Loan growth QoQ (%)	5.9	4.5	3.9	1.2	6.1			n.m.	n.m.	
Yield on earn'g assets (%)	22.16	22.04	21.70	21.57	21.81			20.0	20.4	
Yield on earn'g assets incl. fee (%)	23.47	23.29	22.94	22.68	22.87			21.4	21.5	
Cost on int-bear'g liab (%)	3.88	3.90	3.83	3.73	3.70			3.40	3.5	
Net interest margin (%)	19.25	19.15	18.89	18.72	18.95			17.4	17.7	
Cost to income ratio (%)	49.3	49.5	48.0	48.7	46.9			46.9	47.9	

Source: Company data, TISCO estimates

**Muangthai Capital (MTC)**
**Rating : BUY**

Bloomberg: MTC TB	Target price (THB)	70.00			Market Capitalization
	Current Price (THB)	55.25			
	52-week Range	29.75 - 68.25			
		THBm	117,130		
		USDm	3,884		

**Fiscal year end 31 Dec**
**Financial Summary**

	2018	2019	2020F	2021F	2022F
EPS (THB)	1.75	2.00	2.44	2.63	3.12
EPS growth (%)	48.5	14.1	22.2	7.6	18.7
DPS (THB)	0.26	0.30	0.31	0.37	0.44
BVPS (THB)	5.81	7.54	9.88	12.14	14.83
Average market cap	87,900	114,161	117,130	117,130	117,130
Share in issue (m)	2,120	2,120	2,120	2,120	2,120

**Valuation Ratios & Profitability Measures**

P/E (x)	23.7	26.9	22.6	21.0	17.7
P/BV (x)	7.14	7.14	5.59	4.55	3.73
ROE (%)	34.9	30.0	27.1	23.9	23.1
ROA (%)	8.61	7.62	7.33	6.94	7.06
Dividend yield (%)	0.63	0.56	0.55	0.67	0.79
Dividend cover (x)	6.74	6.66	8.00	7.14	7.14
Payout Ratio (%)	14.8	15.0	12.5	14.0	14.0

**Profit & Loss (THBm)**

Interest income from loans	9,544	11,880	13,976	16,155	18,810
Interest expense	1,100	1,527	1,822	1,997	2,194
Net interest income	8,444	10,353	12,155	14,157	16,616
Non-interest income	872	808	752	617	587
Non-interest expenses	4,103	5,314	6,164	7,058	8,046
Earnings before tax & provision	5,213	5,847	6,742	7,716	9,157
Tax	913	1,056	1,253	1,393	1,654
Core pre-provision profit	4,300	4,792	5,489	6,323	7,503
Provision	586	554	476	751	886
Core net profit	3,713	4,237	5,013	5,572	6,616
Extra item	0	0	166	0	0
Net profit	3,713	4,237	5,179	5,572	6,616

**Key Balance Sheet (THBm)**

Cash	880	783	500	2,872	4,061
Gross loans	48,047	60,253	70,134	81,636	96,331
Loan loss reserve	1,499	1,714	1,658	1,792	2,091
Net loans	46,548	58,539	68,476	79,844	94,240
Other assets	1,845	2,620	2,852	3,060	3,330
Total assets	49,274	61,942	74,834	85,776	101,630
Borrowings	35,460	44,136	52,120	58,120	68,120
Other liabilities	1,387	1,764	1,765	1,915	2,079
Total liabilities	36,847	45,900	53,885	60,035	70,199
Paid-up capital	2,120	2,120	2,120	2,120	2,120
Total Equities	12,313	15,983	20,949	25,741	31,431

**Credit Quality**

NPLs (Bt m)	650	621	714	921	1,160
NPLs/Total loans(%)	1.4	1.0	1.0	1.1	1.2
LLR/NPLs(%)	231	276	232	195	180
LLR/Total loans (%)	3.1	2.8	2.4	2.2	2.2
Provision/Total loans (%)	1.22	0.92	0.68	0.92	0.92

**Growth Rates & Key Ratios**

Growth in interest income (%)	40.5	24.5	17.7	15.6	16.4
Growth in interest expense(%)	63.5	38.7	19.3	9.6	9.8
Growth in non-interest income (%)	29.0	-7.3	-6.9	-18.0	-4.8
Growth in costs (%)	36.2	29.5	16.0	14.5	14.0
Pre-provision earnings growth (%)	37.7	12.2	15.3	14.4	18.7
Growth in provisions (%)	-13.7	-5.5	-14.1	57.8	18.0
Growth in core profit (%)	48.5	14.1	18.3	11.1	18.7
Growth in loans (%)	34.9	25.4	16.4	16.4	18.0
Yield on earn'g assets (%)	22.8	21.9	21.4	21.3	21.1
Yield on earn'g assets incl. fee(%)	24.7	23.3	22.6	22.1	21.8
Cost on int-bear'g liab (%)	3.5	3.8	3.7	3.5	3.5
Spread (%)	19.3	18.1	17.7	17.8	17.7
Net interest margin(%)	20.2	19.1	18.6	18.7	18.7
Cost to income ratio (%)	44.0	47.6	47.8	47.8	46.8
D/E (x)	2.9	2.8	2.4	2.3	2.2

**Company profile**

Muang Thai Capital (MTC) has provided motorcycle title loans since 1998, tractor title licenses since 2001, and car title loans since 2003. The company was listed on the Stock Exchange of Thailand in 2014 with 506 branches and obtained a personal loan license from the Bank of Thailand in 2006. MTC has a BBB+ credit rating from TRIS Credit Rating.

**Valuation**

Our 2021F TP of Bt70/sh is based on Gordon Growth Model and implies a P/BV of 5.8x and a PER of 26.8x.

**Risk**

Risk factors include: 1) slower-than-expected economic recovery, which may hinder loan growth and raise NPLs for MTC, and 2) rise in provision level from adoption of new accounting standards (TFRS 9) in 1Q20.

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Source: Company data, TISCO Research

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 อนุกรรมการกำกับดูแล National CG Committee  <b>Corporate Governance Report                      of Thai Listed Companies 2019</b>	Score Range	Level	Description
	90 - 100	5	Excellent
	80 - 89	4	Very Good
	70 - 79	3	Good
	60 - 69	2	Satisfactory
	50 - 59	1	Pass
	< 50	n.a.	n.a.
		N/R	Does not appear in the CGR report

### Anti-Corruption Progress Indicator :

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into :

Certified :	Companies certified by CAC.
Declared :	Companies that have declared their intention to join CAC.
Ensure its compliance by parent company	Ensure its compliance by parent company The company declares that its parent company is under the Bribery Act or other similar laws that required parent company to be responsible for bribery act of its overseas subsidiaries. Such responsibilities shall include the establishment of policy, practices and investigation and ensure that its subsidiaries regularly comply with the policy and practices.
n.a.	Not intention to join CAC. / no policy

### Disclaimer

The disclosure of the Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018)

Since this survey or assessment result is only the survey or assessment result as of the date appearing in the survey or assessment result only, it may be changed after that date or when there is any change to the relevant information. Nevertheless, TISCO Securities Company Limited does not confirm, verify, or certify the accuracy and completeness of the survey or assessment result.

### ESG Rating

The Thaipt ESG Index is designed to represent the performance of the selected Thai listed companies that are constituents of the ESG100 Universe, the 100 outstanding performers in terms of Environmental, Social and Governance (ESG) listed in Thai stock market (Both SET and mai), assessed by ESG Rating company, a whole subsidiary of Thaipt Institute.

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