



Muangthai Capital PCL

MTC TB **Outperform**

Target Price **Bt 67.00**

Price (18/11/2020) **Bt 56.00**

Upside **% 19.64**

Valuation **DDM**

Sector **Finance & Securities**

Market Cap **Btm 118,720**

30-day avg turnover **Btm 445.12**

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**

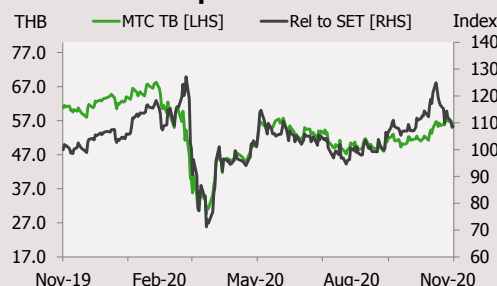
Company Financials

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	23.22	20.45	16.73
PBV (x)	9.09	5.88	4.72	3.80
Dividend yield (%)	0.44	0.62	0.73	0.90

MTC TB rel SET performance



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

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Analyst

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19 November 2020

Kasikorn Securities Public Company Limited

Invulnerable

- We believe the impact of GSB's title loan plan will be limited due to the minor difference in interest rates, and pricing may not be a key point.
- Management maintained its loan growth target at 20-25%, driven by branch expansion and strong loan demand.
- We expect 4Q20 earnings to hit another high. We maintain our Outperform rating and increase our target price to Bt67 from Bt64.5.

Investment Highlights

- **Impact from GSB's plan should be limited.** We believe the impact from Government Saving Bank's (GSB) plan to form a JV with SAWAD to enter the title loan market in 2021 will be limited on MTC as 1) MTC plans to reduce the interest rate it charges on auto title loans to 18% from 19-20% to maintain market share; 2) the company plans to boost the proportion of high-yield loans such as personal loans, nano finance, and hire-purchase loans to compensate for the lower loan yield from title loans; and 3) GSB's target rate will result in only an insignificant difference in installment of only Bt59/month, hence we believe clients will prefer the convenience of doing business with MTC to pricing in the market. We believe GSB's plan will mostly affect the competitive advantage of smaller players, which have a high cost of funds, rather than MTC.
- **Maintain growth target and expansion plan.** Management reiterated its target for loan growth of 20-25% in 2021 driven by a plan to expand its branch network by 500-600 new branches/year, and strong demand for consumer loans. Our assumptions are more conservative with expected gross loan growth of 16% p.a. in 2021-22, while we expect loan yield will gradually drop to 21.2% and 20.9% in 2021-22 amid tighter competition. We expect MTC will deliver strong earnings growth of 21%/14%/22% to Bt5.1bn/Bt5.8bn/Bt7.1bn in 2020-22E.
- **Good asset quality.** Management sees resilient asset quality as 80% of its clients who exit the forbearance program have been able to resume making normal payments. We expect NPL ratio will remain in a low range of 1.14%/1.16%/1.19% in 2020/21/22, while we expect credit cost at 100bps in 2021-22, which is on the conservative side of management's guidance.
- **Expect 4Q20 earnings to hit another record high.** In the short term, we expect MTC will continue to deliver strong earnings in 4Q20 driven by 1) higher loan growth from a demand recovery from a pickup in farming activity, the reopening of schools/universities, and the festive season in December; 2) lower cost of funds from a full-quarter contribution from the drawdown of soft loan from GSB; and 3) a well-controlled NPL ratio, resulting in a credit cost of only 30-50bps.

Valuation and Recommendation

- We maintain our Outperform rating and increase our target price to Bt67 from Bt64.5, as we roll forward our valuation base to end-2021 from mid-2021. We believe the weakness in the share price in the past few days reflects concern about competition from GSB. The stock is trading at 2021 PBV of 4.7x, which is about 2SD below its 6-year historical PBV mean.

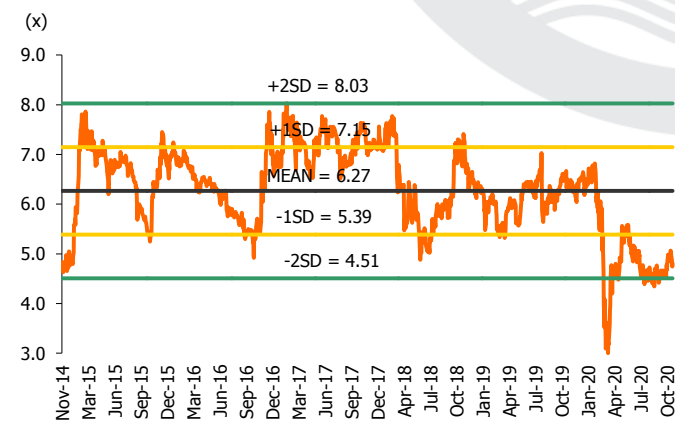


Fig 1 Insignificant difference in installment payment from interest rate 18% vs 24%

Case 1: Interest rate 24%						Case 2: Interest rate 18%					
No.	BGN	Installment	Interest payment	Principal reduction	END	No.	BGN	Installment	Interest payment	Principal reduction	END
0					20,000	0					20,000
1	20,000	1,057	400	657	19,343	1	20,000	998	300	698	19,302
2	19,343	1,057	387	671	18,672	2	19,302	998	290	709	18,593
3	18,672	1,057	373	684	17,988	3	18,593	998	279	720	17,873
4	17,988	1,057	360	698	17,290	4	17,873	998	268	730	17,143
5	17,290	1,057	346	712	16,579	5	17,143	998	257	741	16,401
6	16,579	1,057	332	726	15,853	6	16,401	998	246	752	15,649
7	15,853	1,057	317	740	15,113	7	15,649	998	235	764	14,885
8	15,113	1,057	302	755	14,357	8	14,885	998	223	775	14,110
9	14,357	1,057	287	770	13,587	9	14,110	998	212	787	13,323
10	13,587	1,057	272	786	12,801	10	13,323	998	200	799	12,524
11	12,801	1,057	256	801	12,000	11	12,524	998	188	811	11,714
12	12,000	1,057	240	817	11,183	12	11,714	998	176	823	10,891
13	11,183	1,057	224	834	10,349	13	10,891	998	163	835	10,056
14	10,349	1,057	207	850	9,498	14	10,056	998	151	848	9,208
15	9,498	1,057	190	867	8,631	15	9,208	998	138	860	8,348
16	8,631	1,057	173	885	7,746	16	8,348	998	125	873	7,475
17	7,746	1,057	155	902	6,844	17	7,475	998	112	886	6,588
18	6,844	1,057	137	921	5,923	18	6,588	998	99	900	5,689
19	5,923	1,057	118	939	4,984	19	5,689	998	85	913	4,775
20	4,984	1,057	100	958	4,026	20	4,775	998	72	927	3,849
21	4,026	1,057	81	977	3,049	21	3,849	998	58	941	2,908
22	3,049	1,057	61	996	2,053	22	2,908	998	44	955	1,953
23	2,053	1,057	41	1,016	1,037	23	1,953	998	29	969	984
24	1,037	1,057	21	1,037	0	24	984	998	15	984	0

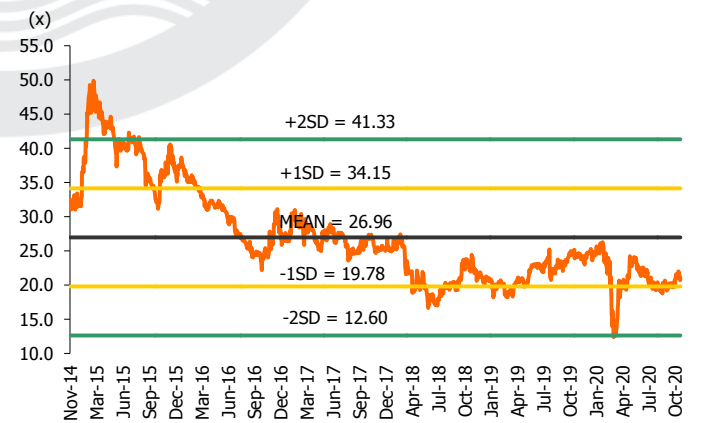
Source: KS Research

Fig 2 PBV band of MTC



Source: Bloomberg, KS Research

Fig 3 PER band of MTC



Source: Bloomberg, 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	23.2	20.5	16.7
Provision charges	-586	-554	-220	-750	-870	P/BV (x)	7.8	9.1	5.9	4.7	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



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Neutral: Expected total return between -10% and 10% within a 12-month period
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