



# Muangthai Capital PCL

MTC TB **Outperform**

Target Price **Bt 79.00**

Price (27/01/2021) **Bt 67.50**

Upside **% 17.04**

Valuation **DDM**

Sector **Finance & Securities**

Market Cap **Btm 143,100**

30-day avg turnover **Btm 858.15**

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**

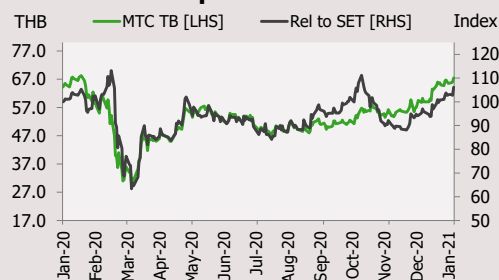
### Company Financials

Operating revenue (Bt m)	11,161	12,942	14,665	17,643
Core profit (Bt m)	4,237	5,212	5,825	7,293
Net profit (Bt m)	4,237	5,212	5,825	7,293
Net EPS (Bt)	2.00	2.46	2.75	3.44
DPS (Bt)	0.30	0.36	0.41	0.52
BV/shr (Bt)	7.53	9.66	12.01	14.96
Net EPS growth (%)	14.11	23.01	11.75	25.21
ROAA (%)	7.63	7.53	6.85	7.03
ROAE (%)	29.98	28.60	25.35	25.50
D/E (x)	2.87	2.74	2.67	2.60

### Valuation

PE (x)	34.27	27.45	24.57	19.62
PBV (x)	9.09	6.99	5.62	4.51
Dividend yield (%)	0.44	0.53	0.61	0.76

## 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

28 January 2021

Kasikorn Securities Public Company Limited

## So far, so good

- We expect 4Q20 earnings to hit another record high at Bt1.37bn (+2% QoQ, +21% YoY) driven by strong loan growth of 5% QoQ and 17% YoY.
- Although we expect NIM to drop in 2021-22 from an interest rate cut, earnings should increase 12-25% on stronger loan growth.
- We reiterate our Outperform rating and raise our TP to Bt79 from Bt67. We expect the stock to re-rate to trade at PBV of 6.5x (+0.25SD to mean).

## Investment Highlights

- **4Q20 earnings to set another record.** We expect MTC to post 4Q20 earnings of Bt1.37bn, up 2% QoQ and 21% YoY, marking another new high for quarterly earnings. The estimate the QoQ improvement will be driven by strong loan growth of 5% QoQ and 15% YoY to Bt70.3bn on the back of growing demand for auto title, personal, and HP loans and a slight decline in cost/income ratio to 46% from 47% in 3Q20. Earnings are expected to jump YoY on strong loan growth of 17% and lower cost/income from better economies of scale. As a result, we estimate 2020 earnings will come in at Bt5.2bn (+23% YoY), better than our earlier forecast by 2%. We therefore increase our 2020-22 earnings forecasts by 2%/0.3%/2.8% to Bt5.2bn/Bt5.8bn/Bt7.3bn to mainly reflect the better loan growth prospects.
- **Accelerating loan growth should continue in 2021.** We see a good recovery for loan growth since 4Q20 at 17% YoY, in line with MTC's target. We expect loan growth momentum to carry on in 2021-22 due to 1) abundant growth opportunities on the high level of unofficial employment in Thailand at 20mn people compared to total auto loans under the BOT of 3.5mn contracts; 2) improving GDP growth in 2021; and 3) the company's ongoing branch expansion by 400-500 branches per year. We increase our loan growth assumptions for 2021-22 to 21.6% from 15.9%.
- **Sound asset quality with room to relax coverage ratio post-COVID.** We like MTC for its strong asset quality, based on the low number of clients who required special assistance at less than 5% of total loans and most of them have been able to resume normal repayment after exiting the relief measures since October 2020. We expect MTC's NPL ratio will remain low at 1.1-1.19% in 2021-22 and coverage ratio will be more than sufficient at 179.5%/165.4% in those years. We expect MTC to be able to relax its provision policy and coverage ratio as about 79% of its total loan portfolio is made up of secured loans.
- **Increasing proportion of hire purchase loans that generate better yield.** MTC cut its interest rate for motorcycle loans to 18% in December 2020 from 21%, and for car loans to 18% from 19%, to gain market share and prepare for increased competition. However, the company is aiming to increase the loan proportion from HP, which generates a high yield of >20%, in 2021-22 with a target of Bt3.0bn of loans in 2021 (2% of total loans). We expect NIM will drop to 17.7%/17.5% in 2021/22, but earnings will continue to grow by 12%/25% driven by higher loan volume and declining cost/income.

## Valuation and Recommendation

- We reiterate our Outperform call on MTC and increase our target price to Bt79 from Bt67 due to 1) our earnings upgrade; and 2) increase our target PBV to 6.5x (+0.25SD above mean) from 5.3x (-1SD below mean). We believe the share price performance has continued to lag its earnings (Fig 2) and a strong earnings result will be a catalyst for the stock.


**Fig 1 4Q20 earnings preview**

Profit & Loss (Btm)	4Q19A	1Q20A	2Q20A	3Q20A	4Q20E	QoQ, %	YoY, %
Interest income	3,248	3,332	3,385	3,555	3,725	5%	15%
Interest expense	425	433	447	467	470	1%	10%
<b>Net interest income</b>	<b>2,822</b>	<b>2,900</b>	<b>2,938</b>	<b>3,088</b>	<b>3,256</b>	<b>5%</b>	<b>15%</b>
Net fee income	207	208	180	182	191	5%	-8%
Operating income	3,030	3,108	3,118	3,270	3,446	5%	14%
Operating expenses	1,500	1,491	1,520	1,533	1,572	2%	5%
<b>PPOP</b>	<b>1,530</b>	<b>1,616</b>	<b>1,598</b>	<b>1,736</b>	<b>1,875</b>	<b>8%</b>	<b>23%</b>
Provision charges	132	62	25	52	155	197%	17%
<b>Op profit after prov'ns</b>	<b>1,398</b>	<b>1,554</b>	<b>1,573</b>	<b>1,684</b>	<b>1,720</b>	<b>2%</b>	<b>23%</b>
Net non operating items	0	0	0	0	0		
Goodwill amortisation	0	0	0	0	0		
<b>Pre-tax profit</b>	<b>1,398</b>	<b>1,554</b>	<b>1,573</b>	<b>1,684</b>	<b>1,720</b>	<b>2%</b>	<b>23%</b>
Income tax	267	316	307	344	352	2%	32%
<b>Profit after tax</b>	<b>1,131</b>	<b>1,237</b>	<b>1,267</b>	<b>1,340</b>	<b>1,368</b>	<b>2%</b>	<b>21%</b>
Minority interests	0	0	0	0	0		
Share in subsids/assocs	0	0	0	0	0		
Extraordinary items	0	0	0	0	0		
<b>Reported net profit</b>	<b>1,131</b>	<b>1,237</b>	<b>1,267</b>	<b>1,340</b>	<b>1,368</b>	<b>2%</b>	<b>21%</b>
EPS (basic, Bt)	0.53	0.58	0.60	0.63	0.65	2%	21%
EPS (fully diluted, Bt)	0.53	0.58	0.60	0.63	0.65	2%	21%
BVPS (Bt)	7.53	8.18	8.48	9.11	9.66	6%	28%

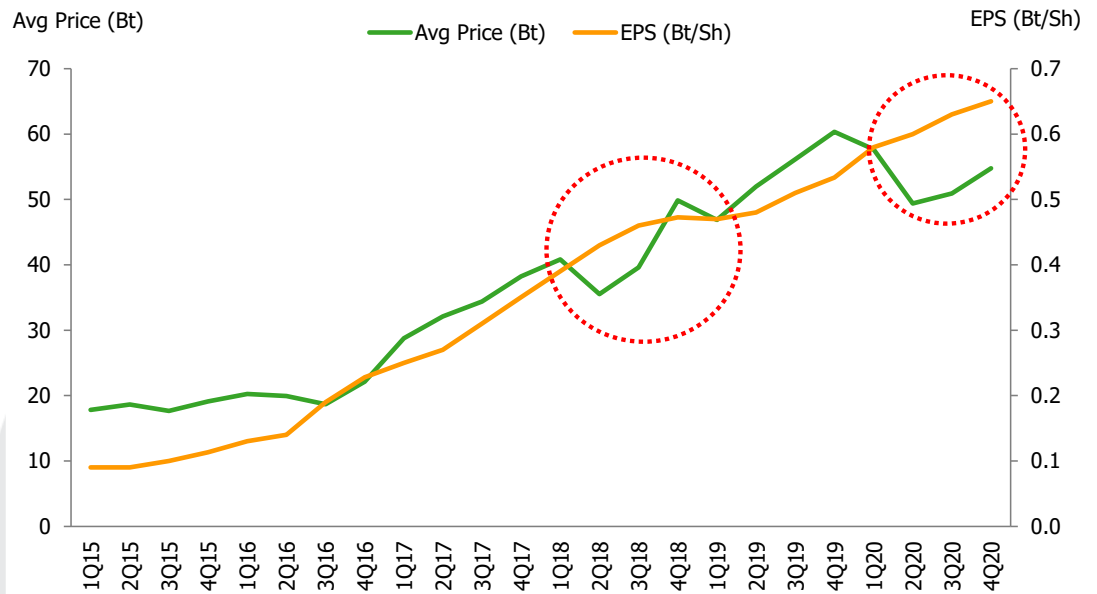
Balance sheet (Btm)	4Q19A	1Q20A	2Q20A	3Q20A	4Q20E	QoQ, %	YoY, %
Gross loans	60,253	62,539	63,174	66,995	70,345	5%	17%
Accumulated provisions	1,714	1,483	1,398	1,344	1,391	4%	-19%
<b>Net loans &amp; accrued</b>	<b>58,539</b>	<b>61,055</b>	<b>61,777</b>	<b>65,651</b>	<b>68,953</b>	<b>5%</b>	<b>18%</b>
Cash	783	816	1,964	794	1,174	48%	50%
Interbank assets	75	74	69	80	80	0%	8%
Investments	0	0	0	0	0		
Loans receivable from purchase of loans	0	0	0	0	0		
Foreclosed properties	0	0	0	0	0		
Fixed assets	1,778	1,862	1,941	2,009	2,110	5%	19%
Goodwill & intangible assets	0	3,409	3,547	3,522	3,522		
Other assets	613	662	619	626	697	11%	14%
<b>Total assets</b>	<b>61,872</b>	<b>68,013</b>	<b>70,083</b>	<b>72,902</b>	<b>76,536</b>	<b>5%</b>	<b>24%</b>
Customer deposits	0	0	0	0	0		
Additional funding (inter bank, loans, etc.)	0	0	0	0	0		
Short term borrowings	14,689	18,109	15,001	18,005	18,776	4%	28%
Long term borrowings	29,494	30,781	35,455	34,019	35,720	5%	21%
Other liabilities	1,717	1,784	1,656	1,564	1,559	0%	-9%
Minority interest	0	0	0	0	0		
<b>Shareholders' funds</b>	<b>15,972</b>	<b>17,339</b>	<b>17,971</b>	<b>19,314</b>	<b>20,481</b>	<b>6%</b>	<b>28%</b>
NPLs	622	738	661	674	735	9%	18%

Ratios (% , ann)	4Q19A	1Q20A	2Q20A	3Q20A	4Q20E	QoQ, ppt	YoY, ppt
Yield on IEAs	21.31	21.68	21.52	21.82	21.67	(0.15)	0.37
Cost of funds (IBLs)	3.89	3.72	3.60	3.65	3.53	(0.12)	(0.37)
Net interest spread	17.41	17.97	17.92	18.18	18.15	(0.03)	0.73
Net interest margin	18.52	18.87	18.67	18.95	18.94	(0.01)	0.42
Cost/income	50	48	49	47	46	(1)	(4)
ROA	7.47	7.62	7.34	7.50	7.33	(0.17)	(0.15)
Avg assets/avg SHF (x)	3.9	3.9	3.9	3.8	3.8	(0.1)	(0.2)
ROE	29.3	29.7	28.7	28.8	27.5	(1.2)	(1.8)
Gross loans/deposits and borrowing	136	128	125	129	129	0	(8)
NPLs/loans	1.0	1.2	1.0	1.0	1.0	0.0	0.0
Reserve coverage	276	201	212	199	189	(10)	(86)
Credit cost (bps)	87	41	16	32	90	58	3

Source: MTC, KS Research

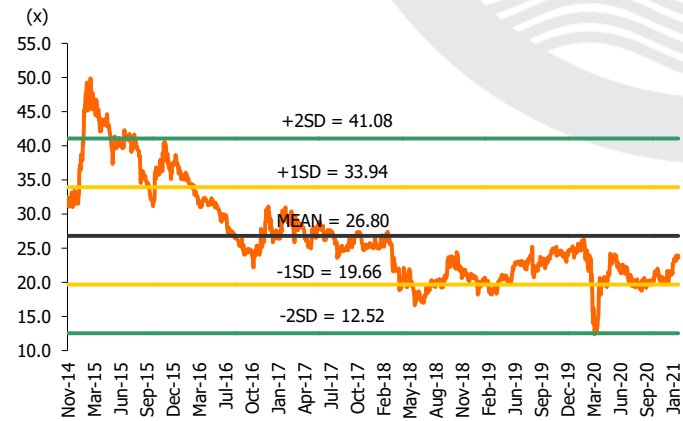


**Fig 2 Average quarterly share price performance vs quarterly EPS**



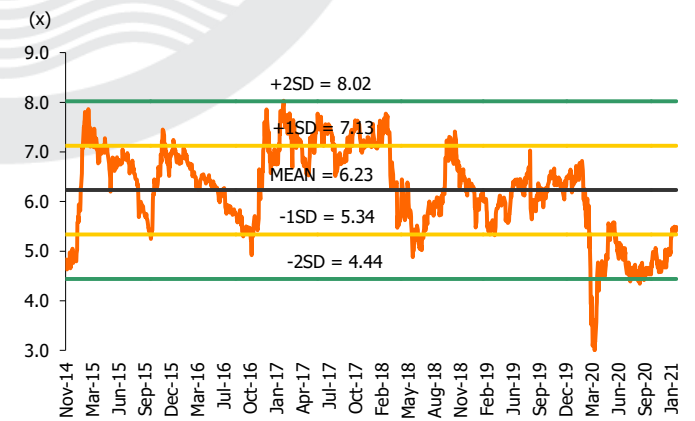
Source: Bloomberg, KS Research

**Fig 3 PER band of MTC**



Source: Bloomberg, KS Research

**Fig 4 PBV 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	13,997	15,927	19,171	<b>Per share (Bt)</b>					
Interest expenses	-1,100	-1,527	-1,816	-2,120	-2,564	Reported EPS	1.75	2.00	2.46	2.75	3.44
<b>Net Interest Income</b>	8,444	10,353	12,181	13,807	16,607	DPS	0.26	0.30	0.36	0.41	0.52
Non-interest income	869	808	761	858	1,036	BV	5.80	7.53	9.66	12.01	14.96
Non-interest expenses	-4,100	-5,314	-6,116	-6,566	-7,531	<b>Valuation analysis</b>					
<b>PPOP</b>	5,213	5,847	6,825	8,099	10,112	Reported P/E (x)	25.7	34.3	27.5	24.6	19.6
Provision charges	-586	-554	-294	-777	-944	P/BV (x)	7.8	9.1	7.0	5.6	4.5
<b>Profit after provision</b>	4,627	5,293	6,532	7,322	9,168	Dividend yield (%)	0.6	0.4	0.5	0.6	0.8
Net non-operating item	0	0	0	0	0	<b>Profitability ratios</b>					
<b>Pre-tax profit</b>	4,627	5,293	6,532	7,322	9,168	Yield on IEAs (%)	22.79	21.91	21.41	20.42	20.22
Income tax	-913	-1,056	-1,319	-1,497	-1,874	Cost of funds (%)	3.51	3.83	3.68	3.51	3.49
<b>NPAT</b>	3,713	4,237	5,212	5,825	7,293	Spread (%)	19.27	18.08	17.73	16.91	16.74
Minority interests	0	0	0	0	0	Net interest margin (%)	20.16	19.10	18.63	17.70	17.52
<b>Core Profit</b>	3,713	4,237	5,212	5,825	7,293	Cost to income (%)	44.03	47.61	47.26	44.77	42.68
Extraordinary items	0	0	0	0	0	Pre-Provision ROAA (%)	12.11	10.53	9.86	9.53	9.75
FX gain (loss)	0	0	0	0	0	ROAA (%)	8.63	7.63	7.53	6.85	7.03
<b>Reported net profit</b>	3,713	4,237	5,212	5,825	7,293	Pre-Provision ROAE (%)	49.08	41.37	37.45	35.25	35.36
<b>Balance Sheet (Btmn)</b>						ROAE (%)	34.96	29.98	28.60	25.35	25.50
Cash & equivalents	880	783	1,174	2,617	4,400	<b>Asset Quality</b>					
Net loans	46,548	58,539	68,953	83,821	101,893	Credit cost (%)	1.40	1.02	0.45	1.00	1.00
Other current assets	134	135	174	211	257	NPL ratio (%)	1.12	1.03	1.04	1.10	1.19
Fixed assets-net	1,269	1,778	2,110	2,564	3,117	Coverage ratio (%)	277.71	275.66	189.42	179.53	165.36
Deferred tax assets	0	0	310	376	458	<b>Leverage Ratios</b>					
Other non-current assets	316	636	3,815	3,861	3,917	Loans/borrowing (x)	135.33	136.37	129.08	128.78	128.78
<b>Total assets</b>	49,146	61,872	76,536	93,452	114,042	Debt/Equity (x)	3.00	2.87	2.74	2.67	2.60
Short-term debt	11,042	14,689	18,776	22,979	27,931	<b>Growth</b>					
Long-term debt	24,463	29,494	35,720	43,418	52,775	Loan growth (%)	34.88	25.40	16.75	21.55	21.55
Other liabilities	1,342	1,717	1,559	1,584	1,614	Borrowing growth (%)	31.01	24.44	23.34	21.84	21.55
<b>Total liabilities</b>	36,847	45,900	56,055	67,981	82,320	Total income (%)	39.83	21.84	16.31	13.74	20.38
Paid-up capital	2,120	2,120	2,120	2,120	2,120	Net interest income (%)	37.93	22.61	17.65	13.35	20.28
Share premium	2,380	2,380	2,380	2,380	2,380	Non-interest income (%)	33.25	-7.03	-5.90	12.81	20.72
Retained earnings	7,799	11,472	15,989	20,979	27,229	PPOP (%)	37.71	12.17	16.73	18.66	24.86
Minority interests	0	0	0	0	0	Reported net profit (%)	48.50	14.11	23.01	11.75	25.21
<b>Total shareholders' equity</b>	12,299	15,972	20,481	25,471	31,722	Reported EPS (%)	48.50	14.11	23.01	11.75	25.21
<b>Total equity &amp; liabilities</b>	49,146	61,872	76,536	93,452	114,042						

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.