

Muang Thai Capital

(MTC.BK/MTC TB)*

Neutral Maintained

Price as of 16 Feb 2021	67.00
12M target price (Bt/shr)	72.00
Unchanged/Revised up (down) (%)	Unchanged
Upside/downside (%)	7.4

Key messages

MTC reported 4Q20 earnings of Bt1.2bn (+2% QoQ, +21% YoY), in line with our and the consensus forecasts. Full-year 2020 earnings were Bt5.2bn (+23% YoY), driven by loan growth of 17% YoY, which boosted revenue 17% YoY, and provisioning expense dropping 54% YoY. Overall earnings were not that good inside given weaker asset quality indicators, implying our earnings forecast is at risk. MTC is currently trading at a demanding valuation.

4Q20 and 2020 earnings review: Did not look good inside

Event

MTC reported 4Q20 earnings of Bt1.4bn (+2% QoQ, +21% YoY), in line with our and the consensus forecasts. Full-year 2020 earnings were Bt5.2bn (+23% YoY), driven by loan growth of 17% YoY (777 new branches to a total of 4,884), which boosted revenue 17% YoY, and provisioning expense dropping 54% YoY.

Impact

Several items missed inside

While 4Q20 earnings were in line with our forecast, several items missed; i) loan yield fell less than expected at -30bps QoQ (vs. -70bps in our forecast) as the loan rate cut did not take effect for the full quarter, ii) operating expense was squeezed and maintained cost/income ratio at low 41% in 4Q20 (vs. normally increasing in the final quarter) and 42% for the full-year, iii) provisioning expense doubled QoQ to Bt116mn in 4Q20, but was down 54% YoY to Bt254mn for the full-year.

Asset quality did not look good inside

MTC managed to keep its NPL ratio low at 1.06% (from 1.04% in 3Q20) with gross NPLs rising 7% QoQ and 20% YoY. Apart from keeping NPLs low, we think the company did a sizeable write off of NPLs during 4Q20, which caused the company to boost provisioning expense. Even boosting that provisioning expense, its loan loss reserve/loan ratio fell significantly to 1.9% (vs. maintaining at 2-3% historically) and resulted in NPL coverage falling to 177% (from >200% historically). Thin loan loss reserve/loan ratio and NPL coverage <200% means a thin reserve to cushion against bad debt in the future. MTC is normally comfortable with NPL coverage at >200%.

Exposure to debt relief program remained high

The company disclosed that around Bt4.4bn of customer loans were in the debt relief program, or around 6.3% of loans outstanding, which was down slightly from the initial amount in mid-2020. Customers in the program will mean MTC's asset quality and provisioning expense would be vulnerable going forward.

Valuation and action

Overall 4Q20 earnings and asset quality indicate our earnings forecast for 2021 is at risk. MTC provided too small of provisioning expense in 2020 as its full-year credit cost of around 40bps was only half of normalized credit. If it has to raise this to 80bps amidst yield reduction due to competition in 2021, there will be risk to MTC's earnings and target price. We assume yield would be decline by 1.2% in 2021 and credit cost at 50bps.

Risks

Slow expand branch, yield reduction >1.2%, credit cost >50bps.

Key financials and valuations

	Dec-17A	Dec-18A	Dec-19A	Dec-20A	Dec-21F	Dec-22F
Pre-pro. profit (Bt mn)	3,785	5,213	5,847	6,808	7,917	9,784
Pretax profit (Bt mn)	3,106	4,627	5,293	6,516	7,585	9,383
Net income (Bt mn)	2,501	3,713	4,237	5,214	6,068	7,506
EPS (Bt)	1.18	1.75	2.00	2.46	2.86	3.54
DPS	0.18	0.26	0.30	1.30	0.50	1.00
EPS Growth (%)	70.8	48.5	14.1	23.0	16.4	23.7
Dividend Yield (%)	0.4	0.5	0.5	1.9	0.7	1.5
P/E (x)	37.3	27.7	30.1	27.2	23.4	18.9
P/BV (x)	10.4	8.4	8.0	7.0	5.9	4.0
ROAA (%)	8.1	8.6	7.6	7.5	7.4	7.5
ROAE (%)	32.0	35.0	30.0	28.4	27.4	28.3

Source: Company data, KGI Research

Figure 1: MTC's quarterly earnings

Bt mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	% chg		2019	2020	% chg
									QoQ	YoY			
Income Statement (Bt mn)													
Interest income	2,665	2,862	3,105	3,248	3,332	3,385	3,555	3,690	3.8	13.6	11,880	13,962	17.5
Interest expense	331	363	408	425	433	447	467	470	0.7	10.6	1,527	1,817	19.0
Interest income - net	2,334	2,500	2,697	2,822	2,900	2,938	3,088	3,219	4.3	14.1	10,353	12,145	17.3
Operating expense	1,154	1,232	1,428	1,500	1,491	1,520	1,533	1,599	4.3	6.6	5,314	6,144	15.6
Operating profit	1,180	1,267	1,269	1,322	1,408	1,418	1,555	1,620	4.2	22.5	5,039	6,000	19.1
Provisioning expense	117	189	116	132	62.3	24.7	52.0	116.0	122.9	(12.2)	554	255	(54.0)
Loss on selling asset	-	-	-	-	-	1	2	3	50.0		-	6	
Other income	193	209	200	207	208	180	182	201	10.6	(3.1)	808	771	(4.6)
Pre-tax profit	1,256	1,287	1,352	1,398	1,554	1,572	1,682	1,702	1.2	21.8	5,293	6,510	23.0
Income tax	251	266	272	267	316	307	344	335	(2.8)	25.5	1,056	1,303	23.4
Net profit	1,005	1,021	1,080	1,131	1,237	1,267	1,340	1,370	2.2	21.1	4,237	5,214	23.0
EPS (Bt)	0.47	0.48	0.51	0.53	0.58	0.60	0.63	0.65	2.2	21.1	2.00	2.46	23.0
Profitability (%)													
Loan yield	21.1%	21.1%	21.5%	21.6%	21.3%	21.4%	21.2%	20.9%					
Loan yield + fee	22.5%	22.4%	22.8%	22.8%	22.5%	22.5%	22.3%	22.0%					
Cost of funds	4.1%	4.0%	4.3%	4.3%	4.2%	4.0%	4.0%	3.8%					
Loan spread	18.4%	18.4%	18.6%	18.5%	18.3%	18.5%	18.2%	18.1%					
Cost-to-income ratio	40.6%	40.5%	43.4%	43.7%	42.3%	42.7%	41.1%	41.2%					
Effective tax rate	20.0%	20.7%	20.1%	19.1%	20.4%	19.5%	20.4%	23.2%					
ROAA	7.7%	7.3%	7.3%	7.3%	7.3%	7.2%	7.4%	7.1%					
ROAE	30.2%	29.6%	29.1%	28.3%	28.5%	28.2%	27.8%	26.5%					
Growth (% YoY)													
Loan growth	33.1%	31.0%	28.7%	25.4%	23.6%	16.3%	16.2%	17.2%					
Revenue growth	22%	21%	22%	22%	24%	16%	13%	13%					
Operating income growth	19%	18%	13%	15%	19%	12%	23%	22%					
LLP growth	-25%	20%	-27%	18%	-47%	-87%	-55%	-12%					
Other income growth	-7%	-6%	-14%	0%	8%	-14%	-9%	-3%					
Net profit growth	21%	12%	12%	13%	23%	24%	24%	21%					
Branch	3,444	3,739	3,961	4,107	4,294	4,568	4,798	4,884					
New branch	165	295	222	146	187	274	230	86					
Loan (Bt bn)	50.59	54.32	57.65	60.25	62.54	63.17	66.99	70.61					
Loan growth (yoy %)	33.1	31.0	28.7	25.4	23.6	16.3	16.2	17.2					
Asset quality													
NPL (Bt mn)	527	595	565	621	738	686	699	747					
NPL ratio (%)	1.04	1.10	0.98	1.03	1.18	1.09	1.04	1.06					
LLR/Loan (%)	3.06	3.02	2.90	2.84	2.37	2.21	2.01	1.88					
Credit cost (bps)	92	139	83	90	39.9	15.6	31.1	65.7					
NPL coverage (%)	294	276	296	276	201	204	192	177					

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

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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
CENTEL	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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Rating	Definition
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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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