

Muang Thai Capital

(MTC.BK/MTC TB)*

Underperform Maintained

Price as of 29 Apr 2021	65.00
12M target price (Bt/shr)	69.00
Unchanged/Revised up (down) (%)	Unchanged
Upside/downside (%)	6.1

Key messages

MTC should show solid loan growth of 4% QoQ and 18% YoY for 1Q21, but this would not be enough to offset declines in yield and margin. Meanwhile, provisioning expense is expected to increase to normalize base and we assume 120bps (vs. MTC's guidance of 80-120bps). The company's 1Q21 earnings should be flat QoQ and rise 10% YoY, with the growth YoY driven by controlling operating costs. Taking our earnings forecast into consideration, 1Q21F earnings should be around 23% of our full-year forecast. Given the pressure on yield and margin while credit cost is rising, we maintain a rating of Underperform on MTC with a 2022 target price of Bt69.00 (PE 20x).

Chalie Kueyen
66.2658.8888 Ext.8851
chaliek@kgi.co.th

1Q21F earnings preview: Margin pressure with more credit cost added

Event

1Q21 earnings preview.

Impact

Loan yield and margin pressure

In order to counter the low lending rate of the JV between Government Savings Bank (GSB) and Srisawad Corporation (SAWAD.BK/SAWAD TB)* at 18%, MTC cut its loan rate for title loans on cars and motorcycles (80% of total loan) to 18%, while maintaining a high yield of around 20-24% for unsecured loans. This will pressure the company's overall loan yield down around 30-40bps QoQ and 50-60bps YoY in 1Q21. Meanwhile, refinancing debenture would not materially pull down the company's cost of funds due to the rising bond yield trend during the quarter.

NPLs and credit costs rising

Since the BoT's policy allowing troubled borrowers impacted by COVID-19 to be classified as performing loan came to an end in 4Q20, non-banks will have to classify NPLs and provide credit cost on a normalized base and reflect the reality of the asset quality. Muang Thai Leasing (MTLS) guided for credit cost of 80-120bps in 2021 (vs. 40bps in 2020) while there was no guidance from Singer Thailand (SINGER.BK/SINGER TB)* and SAWAD. We assume NPLs would rise around 20% QoQ and credit cost would be at the ceiling of the guidance. We expect the absolute NPL to increase by +20% QoQ and +22% YoY with NPL ratio of 1.25% (from 1.06% in 4Q20), which would then force credit cost higher to 1.2% (up from 65bps in 4Q20 or around 40bps for full-year 2020).

Expect 1Q21 earnings of Bt1.4bn (flat QoQ, +10% YoY)

Our earnings forecast factors in solid loan growth of 4.5% QoQ and 18% YoY, margin declining 30bps QoQ and 40bps YoY, credit cost rising +55bps QoQ and +80bps YoY, operating expense being squeezed with lower cost/income ratio (C/I) at 40% (vs. 41% in 4Q20 and 42% in 1Q20). Taking our earnings forecast into consideration, MTC's 1Q21F earnings should account for around 23% of our full-year forecast. Given the pressure on yield and margin while credit cost is rising, we maintain a rating of Underperform on MTC with a 2022 target price of Bt69.00 (PE 20x).

Risks

More newcomers triggering intensifying competition, loan growth derailing, higher NPL and provisioning expense.

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	8,007	10,143
Pretax profit (Bt mn)	3,106	4,627	5,293	6,516	7,332	9,150
Net income (Bt mn)	2,501	3,713	4,237	5,214	5,866	7,320
EPS (Bt)	1.18	1.75	2.00	2.46	2.77	3.45
DPS	0.18	0.26	0.30	0.37	0.50	0.60
EPS Growth (%)	70.8	48.5	14.1	23.0	12.5	24.8
Dividend Yield (%)	0.4	0.5	0.5	0.6	0.7	0.9
P/E (x)	37.3	27.7	30.1	27.2	24.2	19.4
P/BV (x)	10.4	8.4	8.0	6.9	5.6	4.6
ROAA (%)	8.1	8.6	7.6	7.5	7.0	7.2
ROAE (%)	32.0	35.0	30.0	28.4	25.4	26.0

Source: Company data, KGI Research

Figure 1: MTC's quarterly earnings

Bt mn	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q20F	% 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	3,809	3.2	14.3
Interest expense	331	363	408	425	433	447	467	470	495	5.3	14.5
Interest income - net	2,334	2,500	2,697	2,822	2,900	2,938	3,088	3,219	3,313	2.9	14.3
Operating expense	1,154	1,232	1,428	1,500	1,491	1,520	1,533	1,599	1,590	(0.6)	6.6
Operating profit	1,180	1,267	1,269	1,322	1,408	1,418	1,555	1,620	1,723	6.4	22.4
Provisioning expense	117	189	116	132	62.3	24.7	52.0	116.0	221.4	90.9	255.2
Loss on selling asset	-	-	-	-	-	1	2	3	4	33.3	
Other income	193	209	200	207	208	180	182	201	200	(0.5)	(3.8)
Pre-tax profit	1,256	1,287	1,352	1,398	1,554	1,572	1,682	1,702	1,698	(0.2)	9.3
Income tax	251	266	272	267	316	307	344	335	340	1.7	7.6
Net profit	1,005	1,021	1,080	1,131	1,237	1,267	1,340	1,370	1,362	(0.6)	10.1
EPS (Bt)	0.47	0.48	0.51	0.53	0.58	0.60	0.63	0.65	0.64	(0.6)	10.1
Profitability (%)											
Loan yield	21.1%	21.1%	21.5%	21.6%	21.3%	21.4%	21.2%	20.9%	20.5%		
Loan yield + fee	22.5%	22.4%	22.8%	22.8%	22.5%	22.5%	22.3%	22.0%	21.7%		
Cost of funds	4.1%	4.0%	4.3%	4.3%	4.2%	4.0%	4.0%	3.8%	3.7%		
Loan spread	18.4%	18.4%	18.6%	18.5%	18.3%	18.5%	18.2%	18.1%	17.8%		
Cost-to-income ratio	40.6%	40.5%	43.4%	43.7%	42.3%	42.7%	41.1%	41.2%	39.8%		
Effective tax rate	20.0%	20.7%	20.1%	19.1%	20.4%	19.5%	20.4%	23.2%	20.0%		
ROAA	7.7%	7.3%	7.3%	7.3%	7.3%	7.2%	7.4%	7.1%	7.0%		
ROAE	30.2%	29.6%	29.1%	28.3%	28.5%	28.2%	27.8%	26.5%	26.0%		
Growth (% YoY)											
Loan growth	33.1%	31.0%	28.7%	25.4%	23.6%	16.3%	16.2%	17.2%	18.0%		
Revenue growth	22%	21%	22%	22%	24%	16%	13%	13%	13%		
Operating income growth	19%	18%	13%	15%	19%	12%	23%	22%	22%		
LLP growth	-25%	20%	-27%	18%	-47%	-87%	-55%	-12%	255%		
Other income growth	-7%	-6%	-14%	0%	8%	-14%	-9%	-3%	-4%		
Net profit growth	21%	12%	12%	13%	23%	24%	24%	21%	10%		
Branch	3,444	3,739	3,961	4,107	4,294	4,568	4,798	4,884	4,885		
New branch	165	295	222	146	187	274	230	86	1		
Loan (Bt bn)	50.59	54.32	57.65	60.25	62.54	63.17	66.99	70.61	73.78	4.5	18.0
Loan growth (yoy %)	33.1	31.0	28.7	25.4	23.6	16.3	16.2	17.2	18.0		
Asset quality											
NPL (Bt mn)	527	595	565	621	738	686	699	747	900	20.5	22.0
NPL ratio (%)	1.04	1.10	0.98	1.03	1.18	1.09	1.04	1.06	1.22		
LLR/Loan (%)	3.06	3.02	2.90	2.84	2.37	2.21	2.01	1.88	1.62		
Credit cost (bps)	92	139	83	90	39.9	15.6	31.1	65.7	120.0		
NPL coverage (%)	294	276	296	276	201	204	192	177	160		

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	TIPCO 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
CENDEL	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	SRIAWAD 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

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 a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an assessment of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result 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 such survey result.

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
CENDEL	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	SRIWADAW 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.

KGI Locations

China	Shanghai	Room 1507, Park Place, 1601 Nanjing West Road, Jingan District, Shanghai, PRC 200040
	Shenzhen	Room 24D1, 24/F, A Unit, Zhen Ye Building, 2014 Bao'annan Road, Shenzhen, PRC 518008
Taiwan	Taipei	700 Mingshui Road, Taipei, Taiwan Telephone 886.2.2181.8888 · Facsimile 886.2.8501.1691
Hong Kong		41/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong Telephone 852.2878.6888 Facsimile 852.2878.6800
Thailand	Bangkok	8th - 11th floors, Asia Centre Building 173 South Sathorn Road, Bangkok 10120, Thailand Telephone 66.2658.8888 Facsimile 66.2658.8014
Singapore		4 Shenton Way #13-01 SGX Centre 2 Singapore 068807 Telephone 65.6202.1188 Facsimile 65.6534.4826

KGI's Ratings

Rating	Definition
Outperform (OP)	The stock's excess return over the next twelve months is ranked in the top 40% of KGI's coverage universe in the related market (e.g. Taiwan)..
Neutral (N)	The stock's excess return over the next twelve months is ranked in the range between the top 40% and the bottom 40% of KGI's coverage universe in the related market (e.g. Taiwan)
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.

Disclaimer

KGI Securities (Thailand) Plc. ("The Company") disclaims all warranties with regards to all information contained herein. In no event shall the Company be liable for any direct, indirect or any damages whatsoever resulting from loss of income or profits, arising by utilization and reliance on the information herein. All information hereunder does not constitute a solicitation to buy or sell any securities but constitutes our sole judgment as of this date and are subject to change without notice.