

EQUITY TALK

1Q21 Result Notes

May 12, 2021



Risk priced in. Good entry point

1Q21 net profit made a new high. Although competition in auto title loan intensifies, it is totally offset by demand growth thanks to economic recovery. 2021 net profit is estimated to grow 15%. MTC already fell 19% in two months. This is a good entry point.

1Q21 profit new high despite fiercer competition

1Q21 net profit made a new high at B1.4bn (near projection), growing 0.3%qoq and 11.0%yoy. 1Q21 net loans grew 4.5%qoq and 17.3%yoy thanks to branch expansion and a rebound in demand; economic activities resume thanks to country reopening. 1Q21 credit cost dropped to 0.86% while NPL ratio decreased to 1%, totally offsetting average spread and yield that fell to 16.4% and 19.8%, respectively. As a result of fiercer competition, MTC lowered car and motorcycle title loan rates to 18% in 1Q21 from 20% in 4Q20.

Loan growth in 2021

We maintain forecast, estimating 2021 net profit to grow 15.2% thanks to loan growth of 17.6%. MTC will focus on new motorcycle loans in 2021 (24% lending rate) to compensate for fiercer competition in auto title loan industry. 2Q21 net profit is expected to grow further from 1Q21 thanks to consistent loan growth.

2021 fair value is B80

2021 fair value is B80 (GGM, average ROE of 28%, PBV of 6.6x). Buy for business growth in 2021.

Key Financial Forecast

Ending Dec 31	2019	2020	2021F	2022F	2023F
Net Profit	4,237	5,214	6,007	7,028	8,238
EPS (B)	2.00	2.46	2.83	3.32	3.89
EPS Growth (%)	14.1%	23.0%	15.2%	17.0%	17.2%
PER (x)	29.9	24.3	21.1	18.0	15.4
PBV (x)	7.9	6.1	4.9	4.0	3.2
Dividend Yields (%)	0.5%	0.6%	0.7%	0.8%	1.0%
ROE (%)	30.0%	28.4%	25.8%	24.3%	23.1%

Source: ASPS Research

MTC

Rec.:

BUY



Current Price (B):	59.75
Target Price (B):	80.00
Upside:	33.9%
Dividend Yield:	0.7%
Total Return:	34.6%
Market Cap. (Million B)	126,670

Technical Chart



ASPS vs IAA Consensus

EPS (B)	ASPS	IAA Cons	% diff
2021F	2.83	2.81	1%
2022F	3.32	3.30	0%

Source: ASPS and IAA consensus

CG Score : 5 = Excellent
Anti-corruption Progress Indic. = Certified

RESEARCH DIVISION
Asia Plus Securities

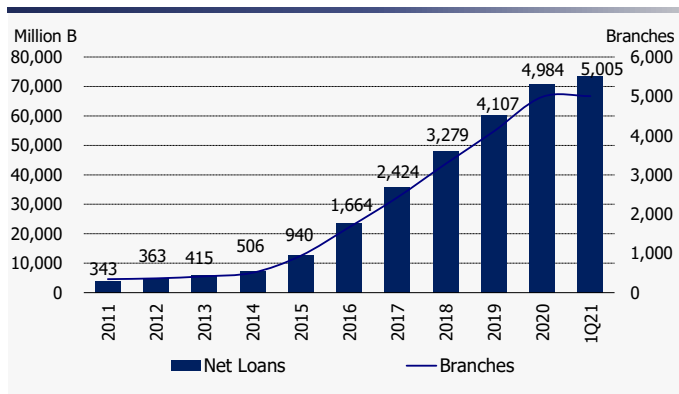
Anakepong Putthapibal
Fundamental Investment Analyst on Securities
License No.: 063609

Earnings Results by Quarter

Million B	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	%QoQ	%YoY	2020	2019	%YoY
Interest Income	2,862	3,105	3,248	3,332	3,385	3,555	3,690	3,585	-2.8%	7.6%	13,962	11,880	17.5%
Interest Expense	(363)	(408)	(425)	(433)	(447)	(467)	(470)	(477)	1.3%	10.2%	(1,817)	(1,527)	19.0%
Net Interest Income	2,500	2,697	2,822	2,900	2,938	3,088	3,219	3,108	-3.4%	7.2%	12,145	10,353	17.3%
Bad Debt & Doubtful Account	(189)	(116)	(132)	(62)	(25)	(52)	(152)	(156)	2.4%	149.9%	(291)	(554)	-47.5%
Net Interest Income after Bad Debt	2,310	2,581	2,690	2,837	2,913	3,036	3,067	2,953	-3.7%	4.1%	11,853	9,799	21.0%
Other Income	209	200	207	208	180	182	237	282	19.1%	35.9%	807	808	-0.1%
SG&A	(1,232)	(1,428)	(1,500)	(1,491)	(1,520)	(1,533)	(1,599)	(1,502)	-6.1%	0.7%	(6,144)	(5,314)	15.6%
Earnings before Tax	1,287	1,352	1,398	1,554	1,573	1,684	1,705	1,734	1.7%	11.6%	6,516	5,293	23.1%
Income Tax	(266)	(272)	(267)	(316)	(307)	(344)	(335)	(360)	7.5%	13.7%	(1,303)	(1,056)	23.4%
Net Profit	1,021	1,080	1,131	1,237	1,267	1,340	1,370	1,374	0.3%	11.0%	5,214	4,237	23.0%
EPS (B)	0.48	0.51	0.53	0.58	0.60	0.63	0.65	0.65	0.3%	11.0%	2.46	2.00	23.0%
Loan Growth	7.6%	6.0%	4.6%	3.9%	1.1%	6.1%	5.6%	4.5%			17.6%	25.6%	
Yields	21.78%	22.13%	21.99%	21.64%	21.46%	21.76%	21.33%	19.82%			21.24%	21.89%	
Funding Cost	3.72%	3.88%	3.89%	3.72%	3.60%	3.65%	3.53%	3.46%			3.68%	3.83%	
Spread	18.06%	18.25%	18.09%	17.93%	17.86%	18.11%	17.80%	16.37%			17.56%	18.06%	
Cost to Income Ratio	45.5%	49.3%	49.5%	48.0%	48.7%	46.9%	46.3%	44.3%			47.4%	47.6%	
NPL/TL	1.09%	0.98%	1.03%	1.18%	1.04%	1.00%	1.09%	0.96%			1.09%	1.03%	
Credit Cost	1.44%	0.83%	0.89%	0.40%	0.16%	0.32%	0.88%	0.86%			0.44%	1.02%	
LLR/NPL	275.8%	295.8%	275.9%	201.0%	211.7%	199.4%	170.7%	185.4%			170.7%	275.9%	

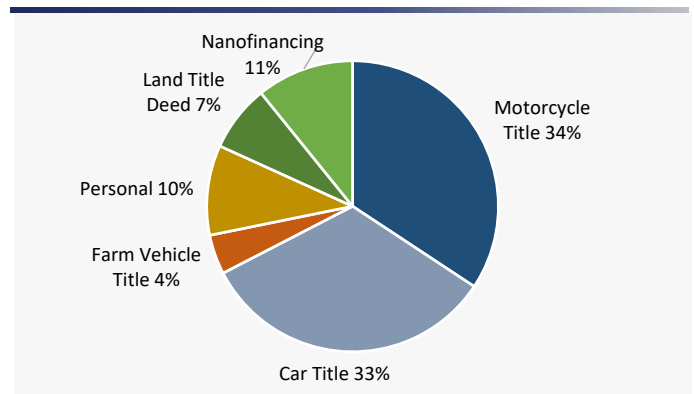
Source: Financial Statement / ASPS Research

Net Loans & Branches at End-2020



Source : MTC / ASPS Research

End-1Q21 Loan Structure



Source : MTC / ASPS Research

Historical PBV Band



Source : Bloomberg

Key Risk

1. Net loan growth may be lower than expected, weakening income and net profit.
2. Asset quality may drop due to new NPL.
3. Interest rate may be raised.
4. The government's laws and regulations may affect MTC.

Source : ASPS Research

2021–2023F Earnings Forecast

Income Statement (Million B)				
Ended 31 Dec.	2020	2021F	2022F	2023F
Interest income	13,962	16,757	19,789	22,880
Interest expenses	(1,817)	(1,889)	(2,174)	(2,425)
Net interest income	12,145	14,868	17,615	20,454
Bad debt & doubtful account	(291)	(669)	(786)	(919)
Net interest income after bad debt	11,853	14,199	16,829	19,535
Other income	807	960	1,136	1,320
SG&A	(6,144)	(7,650)	(9,180)	(10,557)
Earnings before taxes	6,516	7,509	8,786	10,298
Income taxes	(1,303)	(1,502)	(1,757)	(2,060)
Net profit	5,214	6,007	7,028	8,238
EPS (B)	2.46	2.83	3.32	3.89
Normalized profit	5,505	6,676	7,814	9,158
Normalized EPS (B)	2.60	3.15	3.69	4.32
Quarterly Income Statement				
Ended 31 Dec.	2Q20	3Q20	4Q20	1Q21
Interest income	3,385	3,555	3,690	3,585
Interest expenses	(447)	(467)	(470)	(477)
Net interest income	2,938	3,088	3,219	3,108
Bad debt & doubtful account	(25)	(52)	(152)	(156)
Net interest income after bad debt	2,913	3,036	3,067	2,953
Other income	180	182	237	282
SG&A	(1,520)	(1,533)	(1,599)	(1,502)
Earnings before taxes	1,573	1,684	1,705	1,734
Income taxes	(307)	(344)	(335)	(360)
Net profit	1,267	1,340	1,370	1,374
EPS (B)	0.60	0.63	0.65	0.65
Normalized profit	1,267	1,340	1,370	1,374
Normalized EPS (B)	0.60	0.63	0.65	0.65
Credit cost	0.16%	0.32%	0.88%	0.86%
Financial Ratio				
Ended 31 Dec.	2020	2021F	2022F	2023F
Yield	21.24%	21.75%	21.80%	21.50%
Funding cost	3.68%	3.37%	3.50%	3.40%
Spread	17.56%	18.38%	18.30%	18.10%
NIM	18.48%	19.23%	19.38%	19.20%
Debt / Equity	2.64	2.23	2.08	1.94
Cost to income ratio	47.4%	48.3%	49.0%	48.5%
ROAE	28.4%	25.8%	24.3%	23.1%
ROAA	7.5%	7.4%	7.5%	7.5%

Source: ASPS Research

2021–2023F Earnings Forecast

Balance Sheet (Million B)				
Ended 31 Dec.	2020	2021F	2022F	2023F
Cash & bank deposits	1,378	1,402	1,911	2,131
Loans	70,237	82,005	96,356	112,736
Less Deferred interest income	816	1,570	1,846	2,159
Less Allowance for doubtful accounts	(1,326)	(2,223)	(2,611)	(3,055)
Net loans	69,727	81,352	95,590	111,839
Other assets	6,117	3,035	3,661	4,265
Total assets	77,222	85,789	101,162	118,236
Borrowings	54,537	57,658	66,578	76,090
Other liabilities	2,002	2,226	2,552	2,931
Total liabilities	56,540	59,884	69,130	79,021
Paid-up share capital	2,120	2,120	2,120	2,120
Other reserves	2,587	2,587	2,587	2,587
Retained earnings	15,975	21,198	27,325	34,509
Shareholders' equity	20,682	25,905	32,032	39,215
Total liabilities and shareholders' equity	77,222	85,789	101,162	118,236

Quarterly Balance Statement				
Ended 31 Dec.	2Q20	3Q20	4Q20	1Q21
Cash & bank deposits	1,964	794	1,378	984
Loans	62,505	66,437	70,237	73,286
Less Deferred interest income	906	858	816	339
Less Allowance for doubtful accounts	(1,399)	(1,345)	(1,326)	(1,314)
Net loans	62,012	65,950	69,727	72,311
Other assets	6,107	6,157	6,117	6,448
Total assets	70,083	72,902	77,222	79,742
Borrowings	50,456	52,024	54,537	55,727
Other liabilities	1,656	1,564	2,002	1,958
Total liabilities	52,112	53,588	56,540	57,685
Paid-up share capital	2,120	2,120	2,120	2,120
Other reserves	2,582	2,584	2,587	2,589
Retained earnings	13,269	14,609	15,975	17,349
Shareholders' equity	17,971	19,314	20,682	22,058
Total liabilities and shareholders' equity	70,083	72,902	77,222	79,742

Financial Assumption				
Ended 31 Dec.	2020	2021F	2022F	2023F
Loans growth	17.6%	17.6%	17.5%	17.0%
Net interest income growth	17.3%	22.4%	18.5%	16.1%
Other income growth	-0.1%	19.0%	18.3%	16.2%
Effective tax rate	20.0%	20.0%	20.0%	20.0%
NPL/TL	1.09%	1.15%	1.15%	1.15%
LLR/NPL	170.7%	231.5%	231.5%	231.5%
LLR/TL	1.87%	2.66%	2.66%	2.66%
STL/TL	4.4%	9.5%	9.0%	8.5%

Source: ASPS Research