

# EQUITY TALK

## 3Q21 Earning Preview

BY RESEARCH DIVISION

October 18, 2021



### Profit to rebound in 3Q64

3Q21 net profit is expected to grow both qoq and yoy. Loan growth would be driven by branch expansion and lockdown easing since September 2021 onwards. Net profit would continue to grow further in 4Q21 thanks to loan growth in high spending season (school opening and New Year).

Net profit is expected to grow 5% in 2021 and 18% in 2022, driven by loan growth of 26% and 20%. MTC fell 6% in one week, already absorbing the lending rate ceiling cut (public hearing now) that will have limited impact on MTC. 2022 fair value is B72.

## MTC

Rec. :	<b>BUY</b>
Current Price (B)	60.00
Target Price (B)	72.00
Upside (%)	20.0
Dividend Yield (%)	0.8

RESEARCH DIVISION

Asia Plus Securities

### Key Financial Forecast

Ending Dec 31	2019	2020	2021F	2022F	2023F
Net Profit	4,237	5,214	5,473	6,456	7,770
EPS (B)	2.00	2.46	2.58	3.05	3.67
EPS Growth (%)	14.1%	23.0%	5.0%	18.0%	20.4%
PER (x)	30.0	24.4	23.2	19.7	16.4
PBV (x)	8.0	6.2	5.0	4.1	3.4
Dividend Yield (%)	0.5%	0.6%	0.6%	0.8%	0.9%
ROE (%)	30.0%	28.4%	23.8%	22.9%	22.6%

Source: ASPS Research

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### Technical Chart



Source: ASPS Research

### Technical Comment

MTC Price Trend: Sideway

Supportive: 54.75

Resistance : 65.50 / 73.75

### Consensus Analysis

#### ASPS vs IAA Consensus

EPS (B)	ASPS	IAA Cons	% diff
<b>2021F</b>	2.58	2.59	0%
<b>2022F</b>	3.05	3.24	-6%

Source: ASPS and IAA consensus

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

Source: SETTRADE / ASPS Research

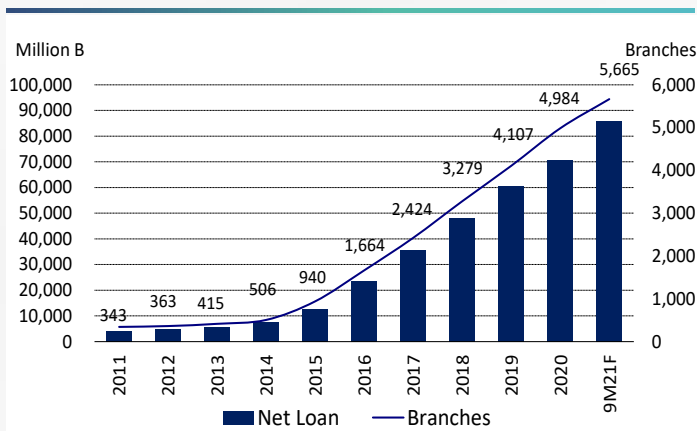


### Earnings Results by Quarter

Million B	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21F	%QoQ	%YoY	9M21F	9M20	%YoY
Interest Income	3,332	3,385	3,555	3,690	3,585	3,684	3,938	6.9%	10.8%	11,207	10,272	9.1%
Interest Expense	(433)	(447)	(467)	(470)	(477)	(507)	(552)	8.8%	18.1%	(1,536)	(1,347)	14.0%
<b>Net Interest Income</b>	<b>2,900</b>	<b>2,938</b>	<b>3,088</b>	<b>3,219</b>	<b>3,108</b>	<b>3,177</b>	<b>3,386</b>	<b>6.6%</b>	<b>9.7%</b>	<b>9,672</b>	<b>8,925</b>	<b>8.4%</b>
Bad Debt & Doubtful Account	(62)	(25)	(52)	(152)	(156)	(138)	(166)	20.3%	218.7%	(459)	(139)	230.5%
<b>Net Interest Income after Bad Debt</b>	<b>2,837</b>	<b>2,913</b>	<b>3,036</b>	<b>3,067</b>	<b>2,953</b>	<b>3,039</b>	<b>3,220</b>	<b>6.0%</b>	<b>6.1%</b>	<b>9,212</b>	<b>8,786</b>	<b>4.8%</b>
Other Income	208	180	182	237	282	213	210	-1.2%	15.5%	705	570	23.7%
SG&A	(1,491)	(1,520)	(1,533)	(1,599)	(1,502)	(1,657)	(1,744)	5.3%	13.8%	(4,903)	(4,545)	7.9%
<b>Earnings before Tax</b>	<b>1,554</b>	<b>1,573</b>	<b>1,684</b>	<b>1,705</b>	<b>1,734</b>	<b>1,595</b>	<b>1,686</b>	<b>5.7%</b>	<b>0.1%</b>	<b>5,015</b>	<b>4,812</b>	<b>4.2%</b>
Income Tax	(316)	(307)	(344)	(335)	(360)	(325)	(337)	3.8%	-2.1%	(1,022)	(968)	5.6%
<b>Net Profit</b>	<b>1,237</b>	<b>1,267</b>	<b>1,340</b>	<b>1,370</b>	<b>1,374</b>	<b>1,270</b>	<b>1,349</b>	<b>6.2%</b>	<b>0.7%</b>	<b>3,993</b>	<b>3,844</b>	<b>3.9%</b>
<b>EPS (B)</b>	<b>0.58</b>	<b>0.60</b>	<b>0.63</b>	<b>0.65</b>	<b>0.65</b>	<b>0.60</b>	<b>0.64</b>	<b>6.2%</b>	<b>0.7%</b>	<b>1.88</b>	<b>1.81</b>	<b>3.9%</b>
Loan Growth	3.9%	1.1%	6.1%	5.6%	3.6%	8.5%	7.5%			20.9%	11.4%	
Yields	21.64%	21.46%	21.76%	21.33%	19.82%	19.20%	19.00%			19.04%	21.45%	
Funding Cost	3.72%	3.60%	3.65%	3.53%	3.46%	3.44%	3.42%			3.38%	3.73%	
Spread	17.93%	17.86%	18.11%	17.80%	16.37%	15.76%	15.58%			15.66%	17.72%	
Cost to Income Ratio	48.0%	48.7%	46.9%	46.3%	44.3%	48.9%	48.5%			47.2%	47.9%	
NPL/TL	1.18%	1.04%	1.00%	1.09%	0.96%	1.10%	1.12%			1.12%	1.00%	
Credit Cost	0.40%	0.16%	0.32%	0.88%	0.86%	0.72%	0.80%			0.78%	0.27%	
LLR/NPL	201.0%	211.7%	199.4%	170.7%	185.4%	162.8%	166.5%			166.5%	199.4%	

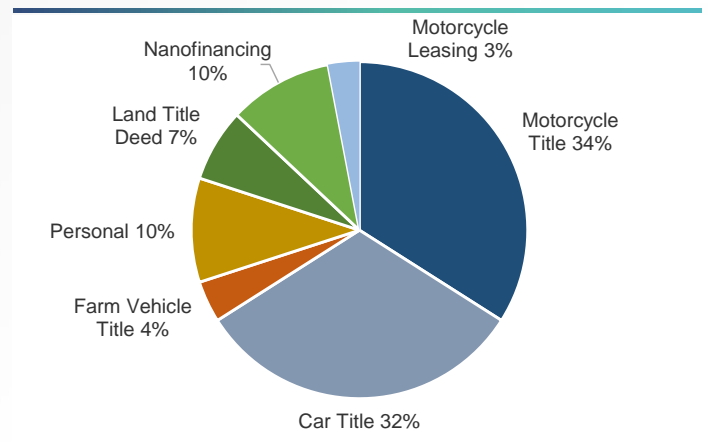
Source : ASPS Research

### End-1Q21 Net Loans & Branches



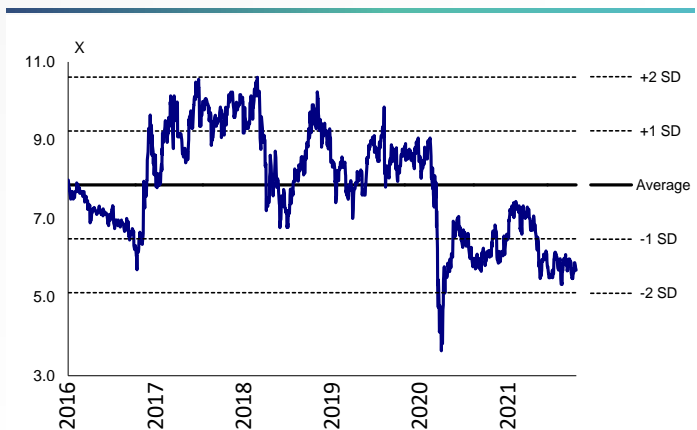
Source : ASPS Research

### MTC's Loan Structure



Source : ASPS Research

### Historical PBV Band



Source : ASPS Research

### 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	15,334	18,539	22,247
Interest expenses	(1,817)	(1,971)	(2,315)	(2,750)
Net interest income	12,145	13,362	16,223	19,497
Bad debt & doubtful account	(291)	(710)	(853)	(1,023)
Net interest income after bad debt	11,853	12,652	15,371	18,474
Other income	807	889	1,074	1,289
SG&A	(6,144)	(6,700)	(8,375)	(10,050)
Earnings before taxes	6,516	6,841	8,070	9,712
Income taxes	(1,303)	(1,368)	(1,614)	(1,942)
<b>Net profit</b>	<b>5,214</b>	<b>5,473</b>	<b>6,456</b>	<b>7,770</b>
<b>EPS (B)</b>	<b>2.46</b>	<b>2.58</b>	<b>3.05</b>	<b>3.67</b>
Normalized profit	5,505	6,183	7,308	8,793
Normalized EPS (B)	2.60	2.92	3.45	4.15

Quarterly Income Statement				
Ended 31 Dec.	3Q20	4Q20	1Q21	2Q21
Interest income	3,555	3,690	3,585	3,684
Interest expenses	(467)	(470)	(477)	(507)
Net interest income	3,088	3,219	3,108	3,177
Bad debt & doubtful account	(52)	(152)	(156)	(138)
Net interest income after bad debt	3,036	3,067	2,953	3,039
Other income	182	237	282	213
SG&A	(1,533)	(1,599)	(1,502)	(1,657)
Earnings before taxes	1,684	1,705	1,734	1,595
Income taxes	(344)	(335)	(360)	(325)
<b>Net profit</b>	<b>1,340</b>	<b>1,370</b>	<b>1,374</b>	<b>1,270</b>
<b>EPS (B)</b>	<b>0.63</b>	<b>0.65</b>	<b>0.65</b>	<b>0.60</b>
<b>Normalized profit</b>	<b>1,340</b>	<b>1,370</b>	<b>1,374</b>	<b>1,270</b>
<b>Normalized EPS (B)</b>	<b>0.63</b>	<b>0.65</b>	<b>0.65</b>	<b>0.60</b>
Credit cost	0.32%	0.88%	0.86%	0.72%

Financial Ratio				
Ended 31 Dec.	2020	2021F	2022F	2023F
Yield	21.24%	19.18%	18.98%	18.98%
Funding cost	3.68%	3.35%	3.35%	3.35%
Spread	17.56%	15.83%	15.63%	15.63%
NIM	18.48%	16.72%	16.61%	16.63%
Interest-bearing debt / Equity	2.64	2.49	2.42	2.36
Cost to income ratio	47.4%	47.0%	48.4%	48.4%
ROAA	28.4%	23.8%	22.9%	22.6%
ROAE	7.5%	6.5%	6.5%	6.5%

Source : ASPS Research



### 2021-2023F Earnings Forecast (Cont.)

#### Balance Sheet (Million B)

Ended 31 Dec.	2020	2021F	2022F	2023F
Cash & bank deposits	1,378	1,162	1,104	918
Loans	70,237	87,241	104,689	125,627
Less Deferred interest income	816	1,567	1,881	2,256
Less Allowance for doubtful accounts	(1,326)	(2,250)	(2,701)	(3,241)
Net loans	69,727	86,558	103,870	124,643
Other assets	6,117	3,035	3,661	4,265
<b>Total assets</b>	<b>77,222</b>	<b>90,754</b>	<b>108,635</b>	<b>129,826</b>
Borrowings	54,537	63,158	75,078	89,090
Other liabilities	2,002	2,226	2,552	2,931
Total liabilities	56,540	65,384	77,630	92,021
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	20,664	26,298	33,099
<b>Shareholders' equity</b>	<b>20,682</b>	<b>25,370</b>	<b>31,005</b>	<b>37,806</b>
<b>Total liabilities and shareholders' equity</b>	<b>77,222</b>	<b>90,754</b>	<b>108,635</b>	<b>129,826</b>

#### Quarterly Balance Statement

Ended 31 Dec.	3Q20	4Q20	1Q21	2Q21
Cash & bank deposits	794	1,378	984	1,327
Loans	66,437	70,237	73,286	80,104
Less Deferred interest income	858	816	339	(195)
Less Allowance for doubtful accounts	(1,345)	(1,326)	(1,314)	(1,436)
Net loans	65,950	69,727	72,311	78,472
Other assets	6,157	6,117	6,448	6,772
<b>Total assets</b>	<b>72,902</b>	<b>77,222</b>	<b>79,742</b>	<b>86,570</b>
Borrowings	52,024	54,537	55,727	62,361
Other liabilities	1,564	2,002	1,958	1,665
Total liabilities	53,588	56,540	57,685	64,025
Paid-up share capital	2,120	2,120	2,120	2,120
Other reserves	2,584	2,587	2,589	2,590
Retained earnings	14,609	15,975	17,349	17,835
<b>Shareholders' equity</b>	<b>19,314</b>	<b>20,682</b>	<b>22,058</b>	<b>22,545</b>
<b>Total liabilities and shareholders' equity</b>	<b>72,902</b>	<b>77,222</b>	<b>79,742</b>	<b>86,570</b>

#### Financial Assumption

Ended 31 Dec.	2020	2021F	2022F	2023F
Loans growth	17.6%	25.0%	20.0%	20.0%
Net interest income growth	17.3%	10.0%	21.4%	20.2%
Other income growth	-0.1%	10.1%	20.8%	20.0%
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%	220.6%	220.6%	220.6%
LLR/TL	1.87%	2.53%	2.53%	2.53%
STL/TL	4.4%	8.7%	8.0%	7.3%

Source : ASPS Research