

EQUITY TALK

3Q21 Result Notes

BY RESEARCH DIVISION

November 10, 2021



Rebound below projection. Downgrade to Switch

3Q21 net profit fell both qoq and yoy (11% below forecast) as operating expense was higher than expected and spreads declined, negating continuous loan growth. 4Q21 net profit is expected to rebound from 3Q21 as loans would grow thanks to lockdown easing.

We revise down 2021-2022 forecast by 6% to reflect higher operating cost than expected. MTC's net profit is estimated to fall 0.6% in 2021 but then grow 17% in 2022. 2022 net loans are projected to grow 25%. 2022 fair value is B66, showing limited upside. We downgrade to Switch to TIDLOR(FV@B44) with better profit growth.

MTC

Rec. : **Switch**

Current Price (B)	63.50
Target Price (B)	66.00
Upside (%)	4.3
Dividend Yield (%)	0.7

RESEARCH DIVISION
Asia Plus Securities

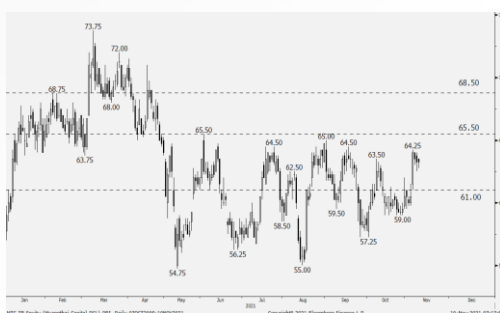
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Key Financial Forecast

Ending Dec 31	2019	2020	2021F	2022F	2023F
Net Profit	4,237	5,214	5,184	6,049	7,134
EPS (B)	2.00	2.46	2.45	2.85	3.37
EPS Growth (%)	14.1%	23.0%	-0.6%	16.7%	17.9%
PER (x)	31.6	25.7	25.9	22.2	18.8
PBV (x)	8.4	6.5	5.3	4.4	3.7
Dividend Yields (%)	0.5%	0.6%	0.6%	0.7%	0.8%
ROE (%)	30.0%	28.4%	22.7%	21.8%	21.3%

Source: ASPS Research

Technical Chart



Source: ASPS Research

Technical Comment

MTC Price Trend: Sideway

Supportive: 61.00

Resistance : 65.50 / 68.50

Consensus Analysis

ASPS vs IAA Consensus

EPS (B)	ASPS	IAA Cons	% diff
2021F	2.45	2.56	-4%
2022F	2.85	3.18	-10%

Source: ASPS and IAA consensus

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

Source: SETTRADE / ASPS Research

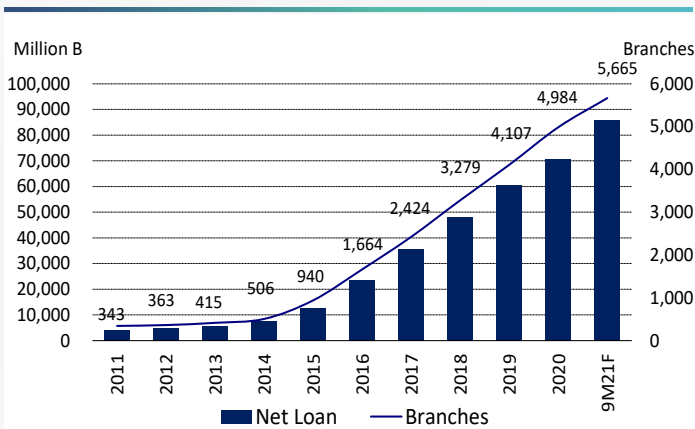


Earnings Results by Quarter

Million B	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	%QoQ	%YoY	9M21	9M20	%YoY
Interest Income	3,332	3,385	3,555	3,690	3,585	3,684	3,844	4.3%	8.1%	11,113	10,272	8.2%
Interest Expense	(433)	(447)	(467)	(470)	(477)	(507)	(557)	9.8%	19.3%	(1,541)	(1,347)	14.4%
Net Interest Income	2,900	2,938	3,088	3,219	3,108	3,177	3,287	3.5%	6.5%	9,572	8,925	7.3%
Bad Debt & Doubtful Account	(62)	(25)	(52)	(152)	(156)	(138)	(189)	37.3%	263.6%	(483)	(139)	247.3%
Net Interest Income after Bad Debt	2,837	2,913	3,036	3,067	2,953	3,039	3,098	1.9%	2.0%	9,090	8,786	3.5%
Other Income	208	180	182	237	282	213	188	-11.6%	3.3%	683	570	19.8%
SG&A	(1,491)	(1,520)	(1,533)	(1,599)	(1,502)	(1,657)	(1,780)	7.5%	16.1%	(4,939)	(4,545)	8.7%
Earnings before Tax	1,554	1,573	1,684	1,705	1,734	1,595	1,505	-5.6%	-10.6%	4,834	4,812	0.5%
Income Tax	(316)	(307)	(344)	(335)	(360)	(325)	(304)	-6.3%	-11.6%	(989)	(968)	2.2%
Net Profit	1,237	1,267	1,340	1,370	1,374	1,270	1,201	-5.5%	-10.4%	3,844	3,844	0.0%
EPS (B)	0.58	0.60	0.63	0.65	0.65	0.60	0.57	-5.5%	-10.4%	1.81	1.81	0.0%
Loan Growth	3.9%	1.1%	6.1%	5.6%	3.6%	8.5%	6.4%			19.7%	11.4%	
Yields	21.64%	21.46%	21.76%	21.33%	19.82%	19.20%	18.64%			18.99%	21.45%	
Funding Cost	3.72%	3.60%	3.65%	3.53%	3.46%	3.44%	3.46%			3.39%	3.73%	
Spread	17.93%	17.86%	18.11%	17.80%	16.37%	15.76%	15.19%			15.59%	17.72%	
Cost to Income Ratio	48.0%	48.7%	46.9%	46.3%	44.3%	48.9%	51.2%			48.2%	47.9%	
NPL/TL	1.18%	1.04%	1.00%	1.09%	0.96%	1.10%	1.17%			1.17%	1.00%	
Credit Cost	0.40%	0.16%	0.32%	0.88%	0.86%	0.72%	0.92%			0.83%	0.27%	
LLR/NPL	201.0%	211.7%	199.4%	170.7%	185.4%	162.8%	160.2%			160.2%	199.4%	

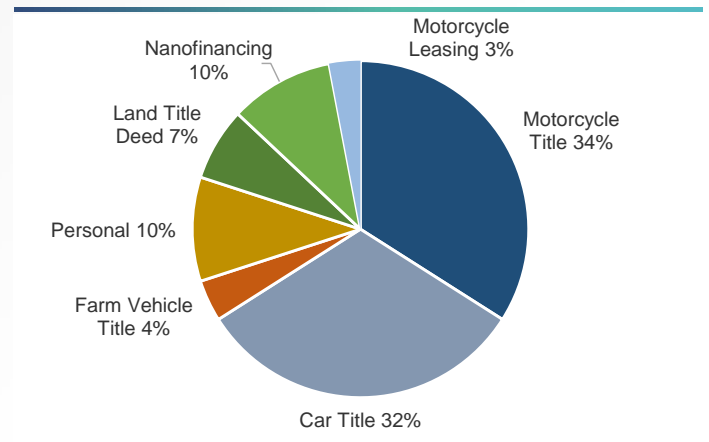
Source : ASPS Research

End-1Q21 Net Loans & Branches



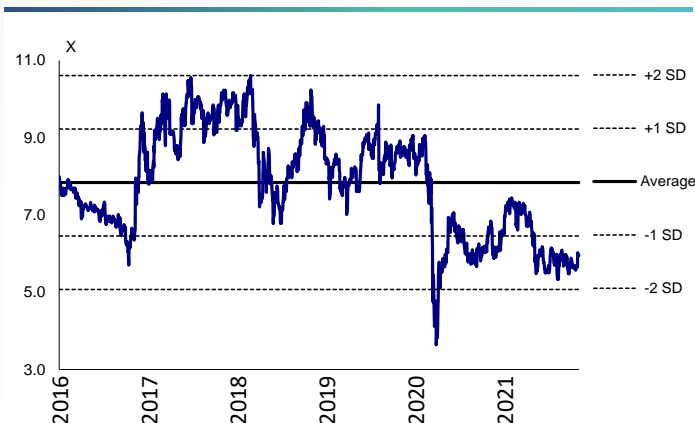
Source : ASPS Research

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	15,302	18,666	22,814
Interest expenses	(1,817)	(2,071)	(2,636)	(3,324)
Net interest income	12,145	13,231	16,030	19,490
Bad debt & doubtful account	(291)	(738)	(923)	(1,107)
Net interest income after bad debt	11,853	12,492	15,107	18,382
Other income	807	888	1,080	1,317
SG&A	(6,144)	(6,900)	(8,625)	(10,781)
Earnings before taxes	6,516	6,480	7,562	8,918
Income taxes	(1,303)	(1,296)	(1,512)	(1,784)
Net profit	5,214	5,184	6,049	7,134
EPS (B)	2.46	2.45	2.85	3.37
Normalized profit	5,505	5,922	6,972	8,242
Normalized EPS (B)	2.60	2.79	3.29	3.89
Quarterly Income Statement				
Ended 31 Dec.	4Q20	1Q21	2Q21	3Q21
Interest income	3,690	3,585	3,684	3,844
Interest expenses	(470)	(477)	(507)	(557)
Net interest income	3,219	3,108	3,177	3,287
Bad debt & doubtful account	(152)	(156)	(138)	(189)
Net interest income after bad debt	3,067	2,953	3,039	3,098
Other income	237	282	213	188
SG&A	(1,599)	(1,502)	(1,657)	(1,780)
Earnings before taxes	1,705	1,734	1,595	1,505
Income taxes	(335)	(360)	(325)	(304)
Net profit	1,370	1,374	1,270	1,201
EPS (B)	0.65	0.65	0.60	0.57
Normalized profit	1,370	1,374	1,270	1,201
Normalized EPS (B)	0.65	0.65	0.60	0.57
Credit cost	0.88%	0.86%	0.72%	0.92%
Financial Ratio				
Ended 31 Dec.	2020	2021F	2022F	2023F
Yield	21.24%	18.74%	17.98%	17.98%
Funding cost	3.68%	3.42%	3.50%	3.60%
Spread	17.56%	15.32%	14.48%	14.38%
NIM	18.48%	16.20%	15.44%	15.36%
Interest-bearing debt / Equity	2.64	2.65	2.77	2.75
Cost to income ratio	47.4%	48.9%	50.4%	51.8%
ROAA	28.4%	22.7%	21.8%	21.3%
ROAE	7.5%	6.1%	5.7%	5.6%

Source : ASPS Research



2021-2023F Earnings Forecast (Cont.)

Balance Sheet (Million B)

Ended 31 Dec.	2020	2021F	2022F	2023F
Cash & bank deposits	1,378	890	886	913
Loans	70,237	90,658	113,323	135,988
Less Deferred interest income	816	1,628	2,036	2,443
Less Allowance for doubtful accounts	(1,326)	(2,339)	(2,923)	(3,508)
Net loans	69,727	89,948	112,436	134,922
Other assets	6,117	3,035	3,661	4,265
Total assets	77,222	93,873	116,983	140,100
Borrowings	54,537	66,565	84,078	100,590
Other liabilities	2,002	2,226	2,552	2,931
Total liabilities	56,540	68,791	86,630	103,521
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	20,375	25,646	31,873
Shareholders' equity	20,682	25,082	30,353	36,580
Total liabilities and shareholders' equity	77,222	93,873	116,983	140,100

Quarterly Balance Statement

Ended 31 Dec.	4Q20	1Q21	2Q21	3Q21
Cash & bank deposits	1,378	984	1,327	1,521
Loans	70,237	73,286	80,104	85,285
Less Deferred interest income	816	339	(195)	(251)
Less Allowance for doubtful accounts	(1,326)	(1,314)	(1,436)	(1,597)
Net loans	69,727	72,311	78,472	83,436
Other assets	6,117	6,448	6,772	6,941
Total assets	77,222	79,742	86,570	91,898
Borrowings	54,537	55,727	62,361	66,602
Other liabilities	2,002	1,958	1,665	1,550
Total liabilities	56,540	57,685	64,025	68,152
Paid-up share capital	2,120	2,120	2,120	2,120
Other reserves	2,587	2,589	2,590	2,591
Retained earnings	15,975	17,349	17,835	19,036
Shareholders' equity	20,682	22,058	22,545	23,747
Total liabilities and shareholders' equity	77,222	79,742	86,570	91,898

Financial Assumption

Ended 31 Dec.	2020	2021F	2022F	2023F
Loans growth	17.6%	29.9%	25.0%	20.0%
Net interest income growth	17.3%	8.9%	21.2%	21.6%
Other income growth	-0.1%	9.9%	21.7%	21.9%
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%	8.3%	7.1%	6.5%

Source : ASPS Research