

November 9, 2022

3Q22 PROFIT FALLS AS CREDIT COST RISES

3Q22 net profit was B1.2bn (10% below forecast), falling 12.7%qoq but growing 0.4%yoy. Credit cost increased due to inflation and NPL/loans rose to 2.3%, totally negating loans growth. End-3Q22 coverage ratio rose to 102.3%. 4Q22 net profit is preliminarily expected to grow qoq and yoy thanks to loans growth; 4Q22 credit cost is expected to drop qoq.

Net profit is estimated to grow 8%yoy in 2022 and 9%yoy in 2023 thanks to continuous loans growth. MTC already fell 35%ytd, so 2023 P/E ratio drops to 13x and PBV drops to 2.3x (2.5SD lower than the five-year average). BUY.

MTC

REC.

BUY

Current Price (B)	37.75
Target Price (B)	47.00
Upside (%)	24.5
Dividend yield (%)	1.1

ESG RATING

Arabesque S-Ray	44.54
Moody's	-
MSCI	A
Refinitiv	58.75
S&P	42.82
Source: Settrade	

CG Score	Excellent
Anti-corruption	Certified

CONSENSUS ANALYSIS

EPS (B)	ASPS	IAA Cons	% diff
2022F	2.52	2.59	-3%
2023F	2.74	3.03	-10%

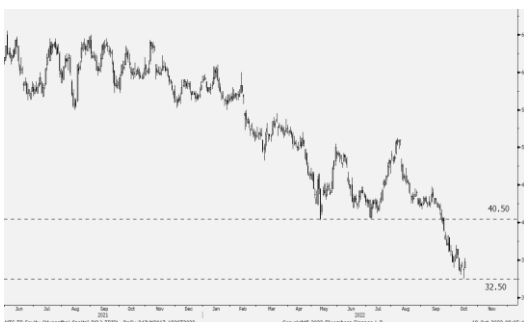
Source: ASPS Research / IAA consensus

KEY FINANCIAL FORECAST

Ending Dec 31	2020	2021	2022F	2023F	2024F
Net Profit	5,214	4,945	5,337	5,805	6,711
EPS (B)	2.46	2.33	2.52	2.74	3.17
EPS Growth (%)	23.0%	-5.2%	7.9%	8.8%	15.6%
PER (x)	15.3	16.2	15.0	13.8	11.9
PBV (x)	3.9	3.2	2.7	2.3	2.0
Dividend Yields (%)	1.0%	1.0%	1.0%	1.1%	1.3%
ROE (%)	28.4%	21.7%	19.7%	18.2%	18.0%

Source: ASPS Research

TECHNICAL CHART



Source: ASPS Research

TECHNICAL COMMENT

MTC Price Trend: Downtrend

Supportive: 32.50

Resistance: 40.50

RESEARCH DIVISION

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EARNINGS RESULTS BY QUARTER

Million B	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	%QoQ	%YoY	9M22	9M21	%YoY
Interest Income	3,690	3,585	3,684	3,844	4,082	4,285	4,617	4,959	7.4%	29.0%	13,861	11,113	24.7%
Interest Expense	(470)	(477)	(507)	(557)	(587)	(604)	(663)	(737)	11.2%	32.3%	(2,003)	(1,541)	30.0%
Net Interest Income	3,219	3,108	3,177	3,287	3,495	3,682	3,955	4,222	6.8%	28.5%	11,858	9,572	23.9%
Bad Debt & Doubtful Account	(152)	(156)	(138)	(189)	(265)	(169)	(524)	(923)	76.1%	388.0%	(1,617)	(483)	234.9%
Net Interest Income after Bad Debt	3,067	2,953	3,039	3,098	3,230	3,512	3,430	3,299	-3.8%	6.5%	10,241	9,090	12.7%
Other Income	237	282	213	188	160	183	251	226	-10.0%	20.4%	661	683	-3.3%
SG&A	(1,599)	(1,502)	(1,657)	(1,780)	(2,023)	(1,963)	(1,946)	(2,008)	3.2%	12.8%	(5,917)	(4,939)	19.8%
Earnings before Tax	1,705	1,734	1,595	1,505	1,368	1,732	1,735	1,517	-12.6%	0.8%	4,985	4,834	3.1%
Income Tax	(335)	(360)	(325)	(304)	(268)	(357)	(355)	(312)	-12.1%	2.4%	(1,023)	(989)	3.4%
Net Profit	1,370	1,374	1,270	1,201	1,100	1,376	1,381	1,205	-12.7%	0.4%	3,961	3,844	3.0%
EPS (B)	0.65	0.65	0.60	0.57	0.52	0.65	0.65	0.57	-12.7%	0.4%	1.87	1.81	3.0%
Loan Growth	5.6%	3.6%	8.5%	6.4%	8.1%	7.4%	8.9%	6.7%			24.8%	19.7%	
Yields	21.33%	19.82%	19.20%	18.64%	18.46%	17.99%	17.91%	17.85%			17.89%	18.99%	
Funding Cost	3.53%	3.46%	3.44%	3.46%	3.40%	3.25%	3.23%	3.27%			3.25%	3.39%	
Spread	17.80%	16.37%	15.76%	15.19%	15.05%	14.74%	14.69%	14.58%			14.64%	15.59%	
Cost to Income Ratio	46.3%	44.3%	48.9%	51.2%	55.3%	50.8%	46.3%	45.1%			47.3%	48.2%	
NPL/TL	1.05%	0.96%	1.10%	1.17%	1.39%	1.65%	1.96%	2.28%			2.28%	1.17%	
Credit Cost	0.88%	0.86%	0.72%	0.92%	1.20%	0.71%	2.03%	3.32%			2.09%	0.82%	
LLR/NPL	177.7%	185.4%	162.8%	160.2%	143.6%	112.9%	96.3%	102.3%			102.3%	160.2%	

Source : Financial Statement / 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



2022-2024F EARNINGS FORECAST

Income Statement (Million B)

Ended 31 Dec.	2021	2022F	2023F	2024F
Interest income	15,195	19,188	24,017	28,820
Interest expenses	(2,127)	(2,720)	(4,110)	(4,927)
Net interest income	13,068	16,468	19,906	23,893
Bad debt & doubtful account	(748)	(2,426)	(3,348)	(4,017)
Net interest income after bad debt	12,320	14,042	16,559	19,876
Other income	843	860	885	920
SG&A	(6,961)	(8,231)	(10,188)	(12,407)
Earnings before taxes	6,201	6,671	7,256	8,389
Income taxes	(1,257)	(1,334)	(1,451)	(1,678)
Net profit	4,945	5,337	5,805	6,711
EPS (B)	2.33	2.52	2.74	3.17
Normalized profit	5,693	7,763	9,152	10,729
Normalized EPS (B)	2.69	3.66	4.32	5.06

Quarterly Income Statement

Ended 31 Dec.	4Q21	1Q22	2Q22	3Q22
Interest income	4,082	4,285	4,617	4,959
Interest expenses	(587)	(604)	(663)	(737)
Net interest income	3,495	3,682	3,955	4,222
Bad debt & doubtful account	(265)	(169)	(524)	(923)
Net interest income after bad debt	3,230	3,512	3,430	3,299
Other income	160	183	251	226
SG&A	(2,023)	(1,963)	(1,946)	(2,008)
Earnings before taxes	1,368	1,732	1,735	1,517
Income taxes	(268)	(357)	(355)	(312)
Net profit	1,100	1,376	1,381	1,205
EPS (B)	0.52	0.65	0.65	0.57
Normalized profit	1,100	1,376	1,381	1,205
Normalized EPS (B)	0.52	0.65	0.65	0.57
Credit cost	1.20%	0.71%	2.03%	3.32%

Financial Ratio

Ended 31 Dec.	2021	2022F	2023F	2024F
Yield	18.65%	18.00%	18.00%	18.00%
Funding cost	3.38%	3.30%	4.00%	4.00%
Spread	15.27%	14.70%	14.00%	14.00%
NIM	16.04%	15.45%	14.92%	14.92%
Debt / Equity	2.87	3.18	3.25	3.34
Cost to income ratio	50.0%	47.5%	49.0%	50.0%
ROE	21.7%	19.7%	18.2%	18.0%
ROA	5.6%	4.8%	4.2%	4.1%

Source : ASPS Research



2022-2024F EARNINGS FORECAST (CONT.)

Balance Sheet (Million B)

Ended 31 Dec.	2021	2022F	2023F	2024F
Cash & bank deposits	1,306	753	632	469
Loans	92,442	119,236	143,083	171,700
Less Deferred interest income	(541)	2,062	2,474	2,969
Less Allowance for doubtful accounts	(1,832)	(2,989)	(3,587)	(4,304)
Net loans	90,069	118,309	141,971	170,365
Other assets	7,015	6,639	7,040	7,422
Total assets	98,390	125,701	149,642	178,256
Borrowings	71,325	93,499	112,025	134,320
Other liabilities	2,197	2,781	3,192	3,671
Total liabilities	73,521	96,280	115,217	137,991
Paid-up share capital	2,120	2,120	2,120	2,120
Other reserves	2,592	2,592	2,592	2,592
Retained earnings	20,157	24,709	29,713	35,553
Shareholders' equity	24,869	29,421	34,425	40,265
Total liabilities and shareholders' equity	98,390	125,701	149,642	178,256

Quarterly Balance Statement

Ended 31 Dec.	4Q21	1Q22	2Q22	3Q22
Cash & bank deposits	1,306	1,652	2,879	3,654
Loans	92,442	99,637	108,304	115,256
Less Deferred interest income	(541)	(944)	(805)	(538)
Less Allowance for doubtful accounts	(1,832)	(1,840)	(2,025)	(2,671)
Net loans	90,069	96,853	105,473	112,047
Other assets	7,015	7,306	7,470	7,519
Total assets	98,390	105,811	115,822	123,220
Borrowings	71,325	77,335	86,946	93,232
Other liabilities	2,197	2,232	2,036	1,974
Total liabilities	73,521	79,567	88,982	95,206
Paid-up share capital	2,120	2,120	2,120	2,120
Other reserves	2,592	2,592	2,592	2,560
Retained earnings	20,157	21,532	22,128	23,334
Shareholders' equity	24,869	26,244	26,840	28,014
Total liabilities and shareholders' equity	98,390	105,811	115,822	123,220

Financial Assumption

Ended 31 Dec.	2021	2022F	2023F	2024F
Loans growth	29.3%	32.0%	20.0%	20.0%
Net interest income growth	7.6%	26.0%	20.9%	20.0%
Other income growth	4.4%	2.0%	2.9%	4.0%
Effective tax rate	20.3%	20.0%	20.0%	20.0%
NPL/TL	1.39%	1.15%	1.15%	1.15%
LLR/NPL	143.6%	214.3%	214.3%	214.3%
LLR/TL	1.99%	2.46%	2.46%	2.46%
STL/TL	5.9%	6.4%	6.2%	6.3%

Source : ASPS Research