

January 26, 2023

### 4Q22 PROFIT TO FALL DUE TO PROVISION

4Q22 net profit is estimated at B1.1bn, falling 9%qoq while staying flat from 4Q21. Credit cost is expected to rise to 3.6% due to inflation. NPL/loans is projected to increase to 2.5%, totally negating loan growth.

We revise down 2022-2023 forecast by 6%, revising up credit cost projection. We estimate MTC's net profit to grow 2%yoy in 2022 and 5%yoy in 2023 thanks to loans growth. NPL/net loans is expected to increase further at a slower pace in 1Q23 and peak in 2Q23 but then stay flat in 3Q23 and decrease in 4Q23. New 2023 fair value is B45. But after 4Q22 earnings report.

#### KEY FINANCIAL FORECAST

Ending Dec 31	2020	2021	2022F	2023F	2024F
Net Profit	5,214	4,945	5,061	5,328	6,138
EPS (B)	2.46	2.33	2.39	2.51	2.90
EPS Growth (%)	23.0%	-5.2%	2.4%	5.3%	15.2%
PER (x)	15.9	16.7	16.3	15.5	13.5
PBV (x)	4.0	3.3	2.8	2.5	2.1
Dividend Yields (%)	0.9%	0.9%	0.9%	1.0%	1.1%
ROE (%)	28.4%	21.7%	18.7%	17.0%	16.9%

Source: ASPS Research

#### TECHNICAL CHART



Source: ASPS Research

#### TECHNICAL COMMENT

MTC Price Trend: Sideway Up

Supportive: 37.50

Resistance: 42.25

## MTC

**REC.**

**BUY**

Current Price (B)	39.00
Target Price (B)	45.00
Upside (%)	15.4
Dividend yield (%)	1.0

#### ESG RATING

Arabesque S-Ray	42.60
Moody's	-
MSCI	AA
Refinitiv	61.28
S&P	42.82
Source: Settrade	

CG Score	Excellent
Anti-corruption	Certified

#### CONSENSUS ANALYSIS

EPS (B)	ASPS	IAA Cons	% diff
2023F	2.51	2.78	-10%
2024F	2.90	3.26	-11%

Source: ASPS Research / IAA consensus

#### RESEARCH DIVISION

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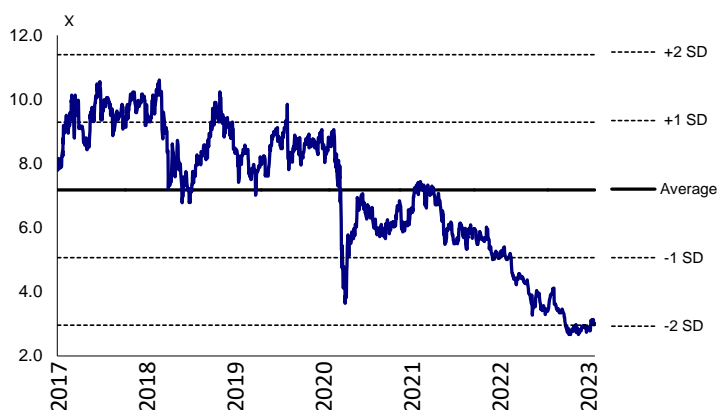


### EARNINGS RESULTS BY QUARTER

Million B	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22F	%QoQ	%YoY	2022F	2021F	%YoY
Interest Income	3,684	3,844	4,082	4,285	4,617	4,959	5,300	6.9%	29.9%	19,162	15,195	26.1%
Interest Expense	(507)	(557)	(587)	(604)	(663)	(737)	(824)	11.8%	40.5%	(2,827)	(2,127)	32.9%
<b>Net Interest Income</b>	<b>3,177</b>	<b>3,287</b>	<b>3,495</b>	<b>3,682</b>	<b>3,955</b>	<b>4,222</b>	<b>4,476</b>	<b>6.0%</b>	<b>28.1%</b>	<b>16,334</b>	<b>13,068</b>	<b>25.0%</b>
Bad Debt & Doubtful Account	(138)	(189)	(265)	(169)	(524)	(923)	(1,066)	15.5%	302.0%	(2,683)	(748)	258.7%
<b>Net Interest Income after Bad Debt</b>	<b>3,039</b>	<b>3,098</b>	<b>3,230</b>	<b>3,512</b>	<b>3,430</b>	<b>3,299</b>	<b>3,410</b>	<b>3.4%</b>	<b>5.6%</b>	<b>13,652</b>	<b>12,320</b>	<b>10.8%</b>
Other Income	213	188	160	183	251	226	218	-3.6%	36.1%	879	843	4.2%
SG&A	(1,657)	(1,780)	(2,023)	(1,963)	(1,946)	(2,008)	(2,253)	12.2%	11.4%	(8,170)	(6,961)	17.4%
<b>Earnings before Tax</b>	<b>1,595</b>	<b>1,505</b>	<b>1,368</b>	<b>1,732</b>	<b>1,735</b>	<b>1,517</b>	<b>1,375</b>	<b>-9.4%</b>	<b>0.5%</b>	<b>6,360</b>	<b>6,201</b>	<b>2.6%</b>
Income Tax	(325)	(304)	(268)	(357)	(355)	(312)	(275)	-11.8%	2.8%	(1,298)	(1,257)	3.3%
<b>Net Profit</b>	<b>1,270</b>	<b>1,201</b>	<b>1,100</b>	<b>1,376</b>	<b>1,381</b>	<b>1,205</b>	<b>1,100</b>	<b>-8.7%</b>	<b>0.0%</b>	<b>5,061</b>	<b>4,945</b>	<b>2.4%</b>
<b>EPS (B)</b>	<b>0.60</b>	<b>0.57</b>	<b>0.52</b>	<b>0.65</b>	<b>0.65</b>	<b>0.57</b>	<b>0.52</b>	<b>-8.7%</b>	<b>0.0%</b>	<b>2.39</b>	<b>2.33</b>	<b>2.4%</b>
Loan Growth	8.5%	6.4%	8.1%	7.4%	8.9%	6.7%	6.5%			32.9%	29.3%	
Yields	19.20%	18.64%	18.46%	17.99%	17.91%	17.85%	17.90%			17.90%	18.65%	
Funding Cost	3.44%	3.46%	3.40%	3.25%	3.23%	3.27%	3.40%			3.29%	3.38%	
Spread	15.76%	15.19%	15.05%	14.74%	14.69%	14.58%	14.50%			14.61%	15.27%	
Cost to Income Ratio	48.9%	51.2%	55.3%	50.8%	46.3%	45.1%	48.0%			47.5%	50.0%	
NPL/TL	1.10%	1.17%	1.39%	1.65%	1.96%	2.28%	2.50%			2.50%	1.39%	
Credit Cost	0.72%	0.92%	1.20%	0.71%	2.03%	3.32%	3.60%			2.51%	0.92%	
LLR/NPL	162.8%	160.2%	143.6%	112.9%	96.3%	102.3%	104.9%			104.9%	143.6%	

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)	(2,728)	(4,136)	(4,963)
Net interest income	13,068	16,460	19,880	23,857
Bad debt & doubtful account	(748)	(2,790)	(3,930)	(4,716)
Net interest income after bad debt	12,320	13,670	15,950	19,141
Other income	843	905	885	920
SG&A	(6,961)	(8,248)	(10,175)	(12,389)
Earnings before taxes	6,201	6,327	6,660	7,673
Income taxes	(1,257)	(1,265)	(1,332)	(1,535)
<b>Net profit</b>	<b>4,945</b>	<b>5,061</b>	<b>5,328</b>	<b>6,138</b>
<b>EPS (B)</b>	<b>2.33</b>	<b>2.39</b>	<b>2.51</b>	<b>2.90</b>
Normalized profit	5,693	7,851	9,258	10,854
Normalized EPS (B)	2.69	3.70	4.37	5.12

#### 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)
<b>Net profit</b>	<b>1,100</b>	<b>1,376</b>	<b>1,381</b>	<b>1,205</b>
<b>EPS (B)</b>	<b>0.52</b>	<b>0.65</b>	<b>0.65</b>	<b>0.57</b>
<b>Normalized profit</b>	<b>1,100</b>	<b>1,376</b>	<b>1,381</b>	<b>1,205</b>
<b>Normalized EPS (B)</b>	<b>0.52</b>	<b>0.65</b>	<b>0.65</b>	<b>0.57</b>
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%	15.44%	14.90%	14.90%
Debt / Equity	2.87	3.23	3.35	3.47
Cost to income ratio	50.0%	47.5%	49.0%	50.0%
ROAE	21.7%	18.7%	17.0%	16.9%
ROAA	5.6%	4.5%	3.9%	3.7%

Source : ASPS Research



### 2022-2024F EARNINGS FORECAST (CONT.)

#### Balance Sheet (Million B)

Ended 31 Dec.	2021	2022F	2023F	2024F
Cash & bank deposits	1,306	1,087	1,144	1,113
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)	(3,098)	(4,009)	(5,160)
Net loans	90,069	118,199	141,548	169,508
Other assets	7,015	6,639	7,040	7,422
<b>Total assets</b>	<b>98,390</b>	<b>125,926</b>	<b>149,732</b>	<b>178,044</b>
Borrowings	71,325	93,999	112,825	135,320
Other liabilities	2,197	2,781	3,192	3,671
Total liabilities	73,521	96,780	116,017	138,991
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	24,434	29,002	34,341
<b>Shareholders' equity</b>	<b>24,869</b>	<b>29,146</b>	<b>33,714</b>	<b>39,053</b>
<b>Total liabilities and shareholders' equity</b>	<b>98,390</b>	<b>125,926</b>	<b>149,732</b>	<b>178,044</b>

#### 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
<b>Total assets</b>	<b>98,390</b>	<b>105,811</b>	<b>115,822</b>	<b>123,220</b>
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
<b>Shareholders' equity</b>	<b>24,869</b>	<b>26,244</b>	<b>26,840</b>	<b>28,014</b>
<b>Total liabilities and shareholders' equity</b>	<b>98,390</b>	<b>105,811</b>	<b>115,822</b>	<b>123,220</b>

#### 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%	20.8%	20.0%
Other income growth	4.4%	7.3%	-2.2%	4.0%
Effective tax rate	20.3%	20.0%	20.0%	20.0%
NPL/TL	1.39%	2.50%	2.80%	3.00%
LLR/NPL	143.6%	102.2%	98.4%	98.5%
LLR/TL	1.99%	2.55%	2.75%	2.95%
STL/TL	5.9%	6.4%	6.0%	6.3%

Source : ASPS Research