

17 FEBRUARY 2021

THAILAND / DIVERSIFIED FINANCIALS

MUANGTHAI CAPITAL MTC TB

BUY

UNCHANGED

TARGET PRICE	THB82.00
CLOSE	THB66.50
UP/DOWNSIDE	+23.3%
PRIOR TP	THB78.00
CHANGE IN TP	+5.1%
TP vs CONSENSUS	+17.7%

ธุรกิจเข้าซื้อทำให้การเติบโตที่สูงขึ้น

ผลประกอบการ 4Q20 ดีตามคาด

MTC รายงานกำไรสุทธิสูงเป็นประวัติการณ์ที่ 1.37 พัน ลบ. (+21% y-y, +2% q-q) ตามคาดการณ์การเติบโตที่เกิดจากสินเชื่อที่โตได้ถึง 18% y-y, 6% q-q จากความต้องการอย่างต่อเนื่องของสินเชื่อในระดับรากหญ้าและแผนการขยายสาขาอย่างต่อเนื่องจนมีสาขา 4,884 แห่ง นอกจากนี้การเติบโตของกำไรสุทธิของ MTC ยังได้แรงส่งจากผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ที่ลดลง y-y จากการบริหารคุณภาพสินทรัพย์ที่ได้ผล หนี้ไม่ก่อให้เกิดรายได้ (NPLs) เพิ่มขึ้น 11% q-q คิดเป็นสัดส่วน NPL อยู่ที่ 1.06% หลังการสิ้นสุดของมาตรการบรรเทาหนี้ทำให้ลูกค้าบางรายผิดนัดชำระ อย่างไรก็ดี ส่วนต่างดอกเบี้ย (NIM) ลดลงเล็กน้อยเหลือ 18.6% เทียบกับ 18.9% ใน 3Q20 จากกลยุทธ์ในการลดผลตอบแทนสินเชื่อทะเบียนรถยนต์และรถจักรยานยนต์เพื่อป้องกันการแข่งขัน

เป้าหมายทางการเงินปี 2021 เป็นบวกเล็กน้อย

MTC ให้เป้าหมายทางการเงินปี 2021 ในที่ประชุมนักวิเคราะห์ ซึ่งเรามองเป็นบวกเล็กน้อยในภาพรวม เราเห็นว่าประเด็นสำคัญอยู่ที่พอร์ตสินเชื่อเข้าซื้อรถมอเตอร์ไซด์ ผู้บริหารคาดว่าจะให้สินเชื่อรถมอเตอร์ไซด์ใหม่ 2 คันต่อเดือนต่อสาขา คิดเป็นสินเชื่อคงค้างในปี 2021 ที่ 6 พัน ลบ. จาก 361 ลบ. ในปี 2020 เป้าหมายดังกล่าวสูงกว่าเป้าหมายเดิมที่ 3 พัน ลบ. อยู่มากจากความต้องการของลูกค้าที่อยู่ในระดับสูงและประสิทธิภาพของพนักงานของบริษัท เป้าหมายอื่นประกอบด้วย (Ex. 2): อัตราการเติบโตสินเชื่อธุรกิจในปัจจุบันที่ 20-25% y-y ผลตอบแทนจากสินเชื่อที่ประมาณ 20.8% เทียบกับ 21.3% ในปี 2020 และอัตราส่วนค่าใช้จ่ายการตั้งสำรอง (Credit Cost) ที่ 80-100 bps เทียบกับ 39 bps ในปี 2020

คาดการณ์กำไรสุทธิโตในปี 2021

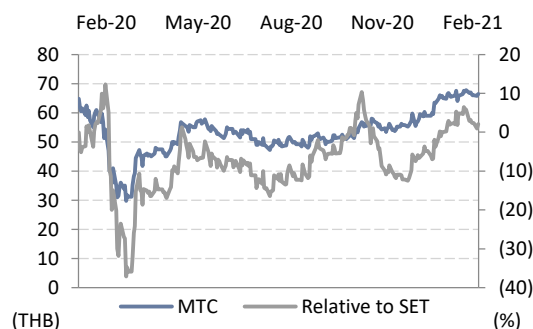
ในท่ามกลางธุรกิจสินเชื่อทะเบียนรถที่แข่งขันสูง เราเชื่อเรา MTC จะสามารถรายงานผลประกอบการที่ดีตามปกติ โดยคาดการณ์การเติบโตของกำไรสุทธิปี 2021 ที่ 22% y-y ส่วนมากมาจากการเติบโตต่อเนื่องของสินเชื่อทะเบียนรถในปัจจุบันและธุรกิจสินเชื่อเข้าซื้อรถมอเตอร์ไซด์ ซึ่งเป็นธุรกิจล่าสุด การลดลงของผลตอบแทนสินเชื่อทะเบียนรถจะได้รับชดเชยจากการเพิ่มของสินเชื่อเข้าซื้อ ซึ่งมีผลตอบแทนสูงกว่า นอกจากนี้ เรายังเชื่ออีกว่า MTC จะสามารถขยายประกันภัยรถยนต์ภาคบังคับให้กับลูกค้าสินเชื่อเข้าซื้อได้ ซึ่งจะทำให้รายได้ค่าธรรมเนียมเพิ่มขึ้น

คงแนะนำซื้อหลังปรับราคาเป้าหมายเพิ่มเป็น 82 บาท (GGM)

เราปรับราคาเป้าหมายของเราขึ้นเป็น 82 บาท (GGM) เพื่อสะท้อนการปรับประมาณการกำไรสุทธิของเราในปี 2021-22 ขึ้น 2%-4% เราคงคำแนะนำซื้อจากแนวโน้มการเติบโตและคุณภาพสินทรัพย์ที่ดี พร้อมกับมีส่วน coverage ratio ที่แข็งแกร่ง

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	6,517	7,936	9,775	11,948
Net profit	5,214	6,365	7,849	9,594
EPS (THB)	2.46	3.00	3.70	4.53
vs Consensus (%)	-	22.2	32.9	38.4
Core net profit	5,214	6,365	7,849	9,594
Core EPS (THB)	2.46	3.00	3.70	4.53
Chg. In EPS est. (%)	-	2.2	4.0	-
EPS growth (%)	23.0	22.1	23.3	22.2
Core P/E (x)	27.0	22.1	18.0	14.7
Dividend yield (%)	0.6	0.7	0.8	1.0
Price/book (x)	6.8	5.4	4.3	3.4
ROE (%)	28.4	27.2	26.7	26.0
ROA (%)	7.5	7.4	7.4	7.4



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.3	17.7	(2.6)
Relative to country (%)	2.0	4.4	(2.4)
Mkt cap (USD m)			4,719
3m avg. daily turnover (USD m)			25.1
Free float (%)			21
Major shareholder		Petaumpai Family (67%)	
12m high/low (THB)			68.75/29.50
Issued shares (m)			2,120

Sources: Bloomberg consensus; FSSIA estimates



Yuvanart Suwanumphai

yuvanart.suw@fssia.com

+66 2611 3554

PREPARED BY FSS INTERNATIONAL INVESTMENT ADVISORY SECURITIES CO LTD (FSSIA). ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES CAN BE FOUND AT THE END OF THIS REPORT

บทวิเคราะห์ฉบับนี้แปลมาจากบทวิเคราะห์ของ FSSIA ฉบับวันที่ 17 กุมภาพันธ์ 2021

Investment thesis

MTC offers an attractive investment option in Thailand’s finance-related sector, in our view. We believe that business prospects for secured consumer loans remain solid. The demand for fast cash is less volatile in varying economic conditions, though spending purposes may differ. Although prolonged economic weakness has been reflected in sluggish loan demand for commercial banks, there has been an increase in short-term funding for the consumption of essentials and living expenditures. However, loan demand is likely to rise for discretionary spending when the economy turns. With one of MTC’s key clientele group being farmers and those in the agricultural sector, falling agricultural prices and low farm incomes should also lead to an increase in loan demand. Operationally, MTC has long experience and strong management expertise in auto title loans, reflecting its ability to drive growth and contain asset quality.

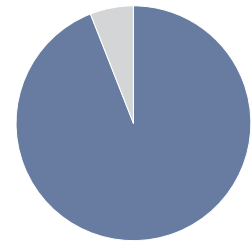
Company profile

MTC has provided lending services since 1992, focusing on motorcycle title loans, and commands the highest market share in Thailand. The company has also expanded its business to personal and other title loans such as car, agricultural and land title loans.

www.muangthaicap.com

Principal activities (revenue, 2020)

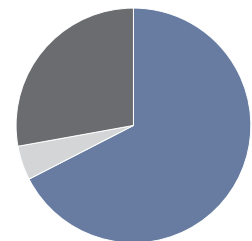
- Net interest income - 94.0 %
- Non-interest income - 6.0 %



Source: Muangthai Capital

Major shareholders

- Petaumpai Family - 67.5 %
- Thai NVDR Co., Ltd. - 4.7 %
- Others - 27.8 %



Source: Muangthai Capital

Catalyst

Potential share price catalysts for MTC include:

1. Strong growth in its new business, hire purchases for motorcycles;
2. Higher interest rate charges for FM than MTC’s current rate;
3. Policy rate cuts.

Risk to our call

Downside risks to our GGM-based TP include the expansion into auto title loans by the Government Savings Bank; further weakening asset quality could potentially hit both loan yield and credit cost.

Event calendar

Date	Event
May 2021	1Q21 results announcements

Key assumptions

Year to Dec	2021E	2022E	2023E
	(%)	(%)	(%)
Net profit (THB m)	6,365	7,849	9,594
Net profit growth	22.1	23.3	22.2
NIM	18.12	18.00	18.10
Loan growth	26.5	24.0	24.0
Fee growth	15.0	10.0	8.0
Non-NII growth*	14.4	9.7	7.8
Credit cost (bp)	80	90	110
Cost to income*	44.5	44.0	43.6

*Including share of profits from associates

Source: FSSIA estimates

Earnings sensitivity

Year to Dec		2021E		
		24.5	26.5	28.5
Loan growth	±2ppt			
	% change in net profit	(1.8)	-	1.8
NIM (%)	±5bp			
	% change in net profit	(0.5)	-	0.5
Credit cost (bps)	±10bp			
	% change in net profit	0.5	-	(0.5)

Source: FSSIA estimates

Strong net profit growth in 4Q20 as expected

MTC reported a record high 4Q20 net profit of THB1,370m (+21% y-y, +2% q-q), in line with the market's and our expectations. The strong growth came from solid loan growth of 18% y-y, 6% q-q due to the continued need for grassroots loans and a continuation of its branch expansion plan to 4,884 branches from 4,798 in 3Q20. Moreover, MTC's net profit growth was helped by a y-y ECL decline thanks to its effective asset quality management. Its NPLs in 4Q20 increased by 11% q-q, implying an NPL ratio of 1.06% – the end of the forbearance program led to the default of some clients.

The two positive factors mentioned above could entirely offset the impact from the lower interest rate strategy MTC has adopted to ward off its competitors. MTC has reduced its motorcycle and car title loan interest rates since Dec-20 from 21% and 19% to 17% and 16.6%, respectively. This led to a drop in its 4Q20 NIM to 18.6% vs 18.9% in 3Q20 and 19.1% in 4Q19.

2020 net profit came in at THB5.2b, increasing by 23% y-y, mainly thanks to 1) an increase in loan volume; 2) a provision contraction, as MTC was able to maintain its superior asset quality amid the COVID outbreak; and 3) a decline in its cost of funds thanks to the policy rate cuts.

Exhibit 1: MTC – summary of 4Q20/2020 results

Year-end Dec 31	4Q19	3Q20	4Q20	--- Change ---		2020	Change	Comments
	(THB m)	(THB m)	(THB m)	(y-y %)	(q-q %)	(THB m)	(y-y %)	
Net interest income	2,822	3,088	3,219	14	4	12,145	17	Increased y-y, q-q from a rise in loan volume
Non-interest income	207	182	201	(3)	11	771	(5)	
Operating income	3,030	3,270	3,420	13	5	12,916	16	
Operating expenses	1,500	1,533	1,599	7	4	6,144	16	
PPOP before tax*	1,530	1,736	1,821	19	5	6,771	16	
Expected credit loss	132	52	116	(12)	123	255	(47)	Significantly declined y-y due to good asset quality control & the implementation of TFRS 9
Income tax	267	344	335	26	(3)	1,303	23	
Minority interest	0	0	0			0		
Normalised profit	1,131	1,340	1,370	21	2	5,214	22	
Extraordinary items	0	0	0			0		
Net profit	1,131	1,340	1,370	21	2	5,214	23	Bloomberg consensus estimated 4Q20 at THB1,380m
EPS (THB)	0.53	0.63	0.65	21	2	2.46	23	
Asset quality ratio								
NPLs (THB m)	621	674	749	20	11	749		
NPLs / Loans (%)	1.03	1.00	1.06			1.06		
Loan loss reserve/NPLs (%)	276	199	177			177		
Credit cost (bp)	90	32	67			39		
Profitability ratio (%)								
Cost to income ratio	49.5	46.9	46.8			47.6		
Average yield	22.0	21.8	21.4			21.3		Lower interest rate charge strategy
Cost of fund	3.9	3.6	3.5			3.8		
Net interest margin (NIM)	19.1	18.9	18.6			18.5		
Non-interest income / total income	6.8	5.6	5.9			38.4		
Loan growth (%)								
Year-to-date	25.6	11.4	17.6					
y-y	25.6	16.5	17.6			17.6		
q-q	4.6	6.1	5.6					

Sources: MTC; FSSIA estimates

Slightly positive on 2021 financial targets

MTC provided its 2021 financial targets at its analyst meeting, which we read as slightly positive overall. We think the key highlight is its motorcycle hire purchase loan portfolio. Management expects to lend two new motorbikes/branch/month, implying 2021 outstanding loans worth THB6b from THB361m in 2020. This target is much more aggressive than its previous one at THB3b, due to the strong demand of its clients and the efficiency of its employees. The other targets include: existing business loan growth of 20-25% y-y, yields on loans at c20.8% vs 21.3% in 2020, and a credit cost of 80-100 bps vs 39 bps in 2020.

Exhibit 2: 2021 financial targets

	2020	2021E	
	Actual	MTC	FSSIA
Loan growth (%)	17.6	28-33	26.5
- existing business (%)		20-25	19.3
- motorbike hire purchase (THB b)		6	5.1
		2 motorcycle/branch/month	1.6 motorcycle/branch/month
Yield (%)	21.3	20.8	20.8
Cost of funds (%)	3.7	lower	3.6
Cost to income ratio (%)	47.6	mid 40%	44.5
Credit cost (bp)	38.8	80-100	80.0

Sources: MTC; FSSIA's estimates

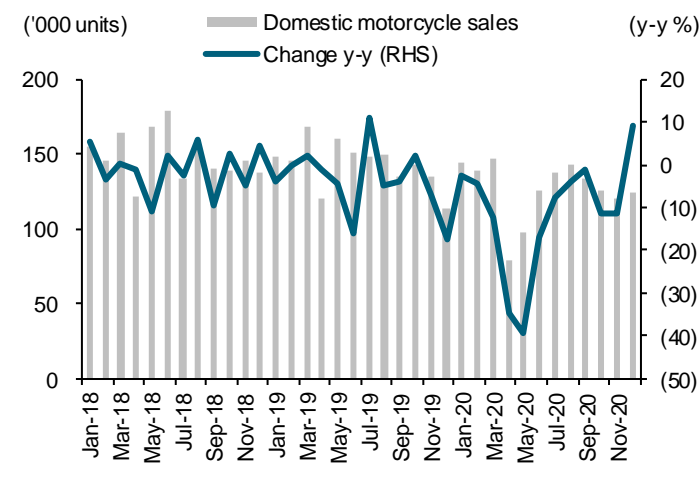
Moving to a higher yield market: motorcycle hire purchase loans

Due to the tight competition in the motorcycle title loan industry, MTC has altered its strategy by increasing its exposure to a higher loan yield market: motorcycle hire purchase loans. We believe MTC will be able to penetrate this market successfully, owing to 1) the strong demand for new motorcycles, especially in rural areas; and 2) its unique marketing strategy and outstanding products.

1) The strong demand for new motorcycles

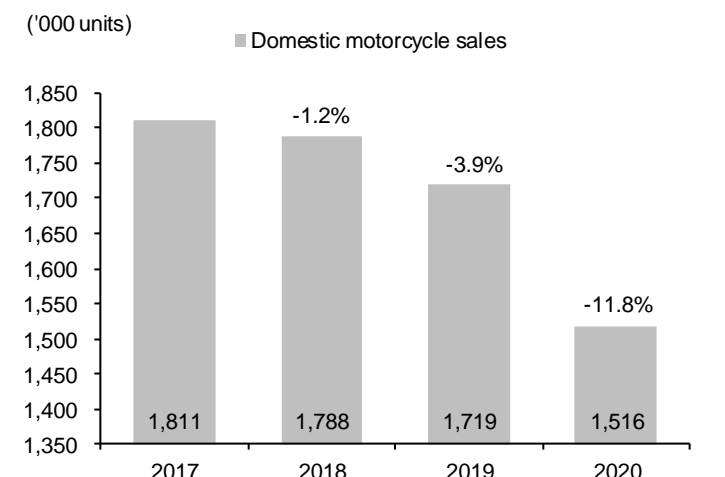
Motorcycles are prevalent in Thailand because they are 1) relatively cheap to own and operate; 2) usually less regulated (in terms of licensing and insurance); and 3) often faster than other modes of transport on very congested roads. Moreover, the COVID-19 pandemic has spurred the food delivery industry, which normally uses motorcycles for transport. Accordingly, we believe that the demand for motorcycles is on the rise.

Exhibit 3: The recovery of domestic motorcycle sales post national lockdown



Sources: The Federation of Thai Industries; FSSIA's compilation

Exhibit 4: Domestic motorcycle sales are normally c1.7–1.8 million units per year



Sources: The Federation of Thai Industries; FSSIA's compilation

2) Unique marketing strategy and outstanding products

MTC is currently offering motorcycle hire purchase loans for its existing motorcycle title loans. We believe this strategy will not only reduce competition with its peers, but also allow MTC to control its asset quality.

Moreover, MTC's products are outstanding, above market standards, with a significantly lower interest rate of 24% and longer loan durations which allow for lower monthly instalments. We view the lower monthly instalments as more suitable for lower income borrowers' cash flows, which should help MTC have better asset quality than its peers.

Exhibit 5: MTC's motorcycle hire purchase loan characteristics vs the market standard

	MTC	Peers
Yearly interest rate charge - EIR basis (%)	24	over 30
Loan duration (years)	3 - 4	2
Monthly instalment (THB)	1,500 - 2,000	3,500 - 4,000
Loan-to-value (%)	100	90 - 100

Sources: MTC; FSSIA's compilation

Exhibit 6: Assumptions for MTC's motorcycle hire purchase loans

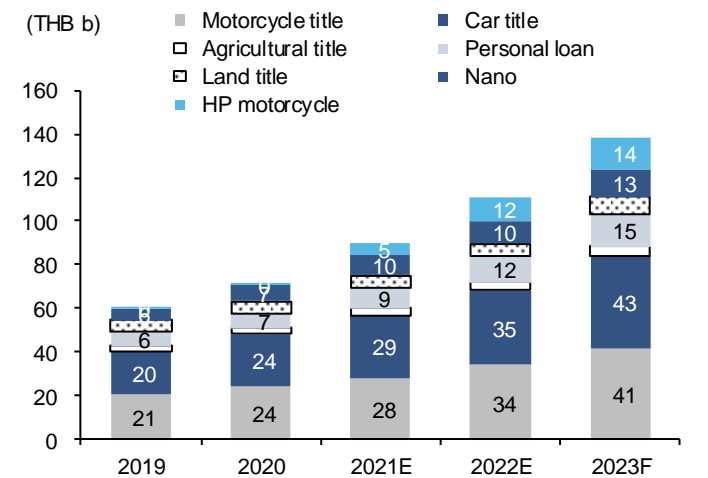
Details	Assumptions
- Average ticket size (THB)	50,000
- Yearly interest rate charge (%)	24
- No. of new motorcycle loans/month/branch	1.6
- No. of branches at the end of 2020	4,884

Note: Assuming a 600 branch increase every year

Source: FSSIA estimates

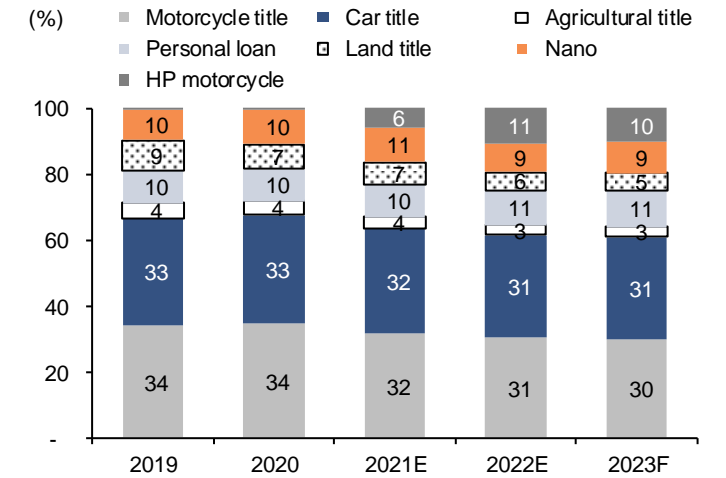
We expect its outstanding motorcycle hire purchase loans to surge from THB361m in 2020 to THB5.1b in 2021 and THB11.8b in 2022. Motorcycle hire purchase loans will likely play an important role in MTC's loan growth, rising from a 0.5% proportion of the company's total loans in 2020 to 5.6% in 2021 and 11.8% in 2022.

Exhibit 7: MTC's outstanding loans



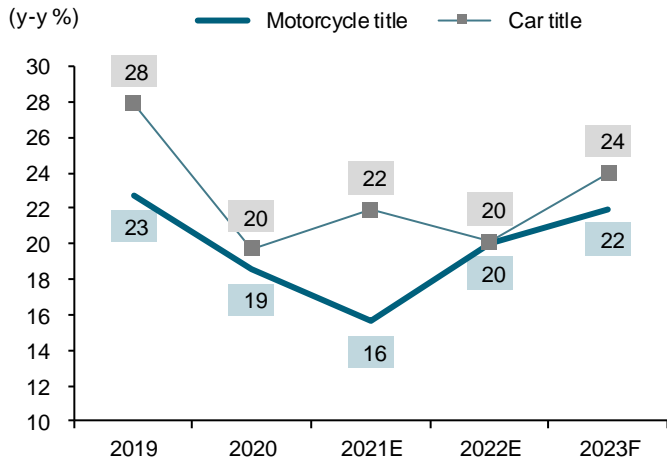
Sources: MTC; FSSIA estimates

Exhibit 8: Proportion of outstanding loans



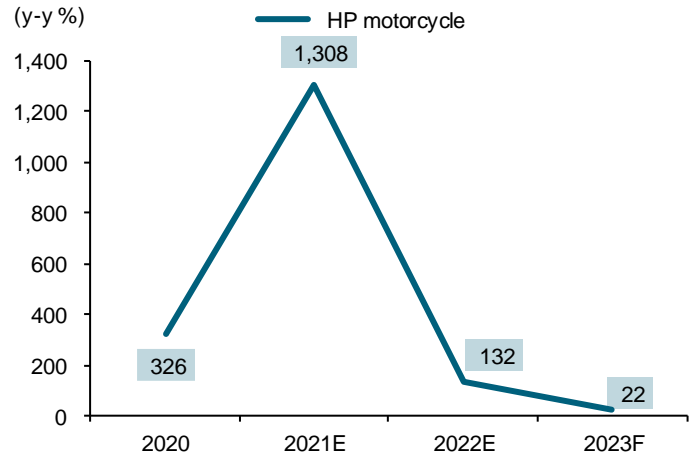
Sources: MTC; FSSIA estimates

Exhibit 9: Slower motorcycle title loan growth...



Sources: MTC; FSSIA estimates

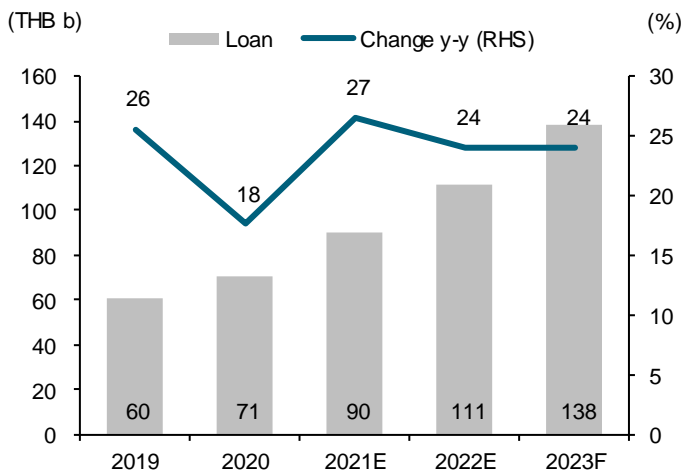
Exhibit 10: ...should be offset by outstanding motorcycle hire purchase loan growth



Sources: MTC; FSSIA estimates

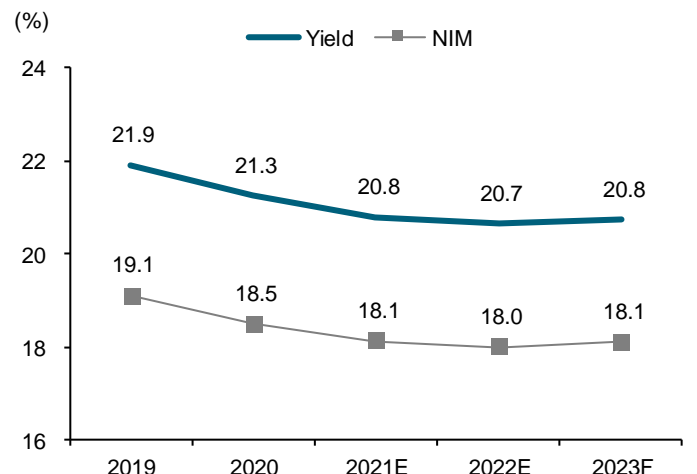
A significant increase in motorcycle hire purchase loans would reduce the impact of slower motorcycle title loan growth completely. Thus, we expect MTC to deliver 2021-22 loan growth at a rate of 27% and 24%, respectively. Moreover, a surge in motorcycle hire purchase loans would alleviate the effect of a motorcycle title loan price war. Hence, we expect its loan yield to moderately decline from 21.3% in 2020 to 20.8% in 2021 and 20.7% in 2022.

Exhibit 11: Total loan growth



Sources: MTC; FSSIA estimates

Exhibit 12: Yield on loans



Sources: MTC; FSSIA estimates

Net profit and target price revisions

We increase our 2021-22 net profit forecast by 2%/4% to reflect the company's more aggressive motorcycle hire purchase loan expansion and better-than-expected cost of fund management. The key changes in our assumptions are 1) loan growth; 2) non-interest income; 3) cost of funds; and 4) credit cost.

- 1) We revise up our loan growth assumption for 2021 to 26.5% from 22.6% to reflect the higher estimated growth of its motorbike hire purchase segment.
- 2) We revise up our non-interest income assumptions by 5%/5% in 2021-22 to account for the potential increase in fee income from cross-selling compulsory motor insurance.
- 3) We revise down our 2021 cost of fund assumption to 3.6% from 3.7% to reflect the company's efficient cost of fund management.

4) We revise up our 2021-22 credit cost assumptions from 40 bps/50 bps to 80 bps/90 bps due to the expected hire purchase increase. Hire purchase carries a greater risk than auto title loans.

Exhibit 13: Key changes in assumptions

	2020	2021E			2022E			2023E
	Actual (THB m)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	New (THB m)
Net interest income	12,145	14,340	14,564	1.6	17,220	18,101	5.1	22,570
Non-interest income*	771	844	882	4.5	926	968	4.6	1,044
Operating income*	12,916	15,184	15,446	1.7	18,146	19,069	5.1	23,614
Operating expenses	6,144	7,110	6,867	(3.4)	8,265	8,389	1.5	10,295
PPOP before tax*	6,771	8,074	8,579	6.3	9,881	10,680	8.1	13,319
Provision (Reversal)	255	315	643	103.9	483	905	87.5	1,371
Taxes expenses	1,303	1,528	1,571	2.8	1,851	1,926	4.0	2,354
Minority interest	-	0	-		0	-		-
Normalized profit	5,214	6,230	6,365	2.2	7,547	7,849	4.0	9,594
Extraordinary items	-	0	-		0	-		-
Net profit	5,214	6,230	6,365	2.2	7,547	7,849	4.0	9,594
EPS (THB)	2.46	2.94	3.00	2.2	3.56	3.70	4.0	4.53
Key statistic and ratio	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Asset quality ratio								
Gross NPLs (THB m)	749	885	936	5.8	1,018	1,123	10.4	1,404
Gross NPLs / Loans	1.06	1.0	1.0		1.0	1.0		1.0
Loan loss reserve/NPLs	177	152	167		143	161		167
Credit cost (bp)	39	40	80		50	90		110
Profitability ratio								
Cost to income ratio	47.6	46.8	44.5		45.5	44.0		43.6
Average yield	21.3	20.9	20.8		20.6	20.7		20.8
Cost of funds	3.7	3.7	3.6		3.6	3.6		3.7
Net interest margin (NIM)	18.5	18.2	18.1		17.8	18.0		18.1
% growth								
Loan growth (y-y)	17.6	22.6	26.5		22.0	24.0		24.0

*Including share of profits from associates
Source: FSSIA estimates

We revise up our GGM-based TP to THB82 from THB78, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2021E P/BV from 6.4x to 6.7x to reflect the increase in our average long-term ROE target of 26.5% from 26.4%.

Exhibit 14: MTC – GGM-derived target price

Target price	THB82 (from THB78)
Recommendation	BUY
Risk-free rate (%)	3 (Unchanged)
Market risk premium (%)	8 (Unchanged)
Cost to equity (%)	10.8 (from 11.1)
Terminal growth (%)	8 (Unchanged)
ROE target (%)	26.5 (from 26.4)
Risk to TP	Downside risks to our GGM-based TP include the expansion into auto-title loans by the Government Savings Bank; further weakening asset quality could potentially hit both loan yield and credit cost.

Source: FSSIA estimates

Financial Statements

Muangthai Capital

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	11,880	13,962	16,717	20,763	25,871
Interest expense	(1,527)	(1,817)	(2,153)	(2,662)	(3,301)
Net interest income	10,353	12,145	14,564	18,101	22,570
Net fees & commission	723	726	835	919	992
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	85	45	47	49	52
Non interest income	808	771	882	968	1,044
Total income	11,161	12,916	15,446	19,069	23,614
Staff costs	(3,009)	(3,676)	(4,563)	(5,704)	(7,130)
Other operating costs	(2,306)	(2,469)	(2,304)	(2,685)	(3,165)
Operating costs	(5,314)	(6,144)	(6,867)	(8,389)	(10,295)
Pre provision operating profit	5,847	6,771	8,579	10,680	13,319
Provision for bad and doubtful debt	(554)	(255)	(643)	(905)	(1,371)
Other provisions	-	-	-	-	-
Operating profit	5,293	6,517	7,936	9,775	11,948
Recurring non operating income	0	0	0	0	0
Associates	0	0	0	0	0
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	5,293	6,517	7,936	9,775	11,948
Tax	(1,056)	(1,303)	(1,571)	(1,926)	(2,354)
Profit after tax	4,237	5,214	6,365	7,849	9,594
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,237	5,214	6,365	7,849	9,594
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	4,237	5,214	6,365	7,849	9,594
Per share (THB)					
Recurring EPS *	2.00	2.46	3.00	3.70	4.53
Reported EPS	2.00	2.46	3.00	3.70	4.53
DPS	0.30	0.37	0.45	0.56	0.68
Growth					
Net interest income (%)	22.6	17.3	19.9	24.3	24.7
Non interest income (%)	(7.3)	(4.6)	14.4	9.7	7.8
Pre provision operating profit (%)	12.2	15.8	26.7	24.5	24.7
Operating profit (%)	14.4	23.1	21.8	23.2	22.2
Reported net profit (%)	14.1	23.0	22.1	23.3	22.2
Recurring EPS (%)	14.1	23.0	22.1	23.3	22.2
Reported EPS (%)	14.1	23.0	22.1	23.3	22.2
Income Breakdown					
Net interest income (%)	92.8	94.0	94.3	94.9	95.6
Net fees & commission (%)	6.5	5.6	5.4	4.8	4.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	0.8	0.3	0.3	0.3	0.2
Operating performance					
Gross interest yield (%)	21.92	21.27	20.80	20.65	20.75
Cost of funds (%)	3.83	3.71	3.58	3.60	3.65
Net interest spread (%)	18.09	17.56	17.22	17.05	17.10
Net interest margin (%)	19.1	18.5	18.1	18.0	18.1
Cost/income(%)	47.6	47.6	44.5	44.0	43.6
Cost/assets(%)	9.6	8.8	7.9	7.9	7.9
Effective tax rate (%)	19.9	20.0	19.8	19.7	19.7
Dividend payout on recurring profit (%)	15.0	15.0	15.0	15.0	15.0
ROE (%)	30.0	28.4	27.2	26.7	26.0
ROE - COE (%)	19.2	17.6	16.4	15.9	15.2
ROA (%)	7.6	7.5	7.4	7.4	7.4
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

Financial Statements

Muangthai Capital

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	60,338	70,968	89,774	111,320	138,037
Total provisions	(1,713)	(1,328)	(1,567)	(1,804)	(2,347)
interest in suspense	-	0	0	0	0
Net customer loans	58,624	69,640	88,208	109,517	135,690
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	783	1,378	729	379	101
Other interesting assets	-	-	-	-	-
Tangible fixed assets	1,778	1,928	2,121	2,333	2,567
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	687	4,275	4,603	4,984	5,420
Total assets	61,873	77,222	95,662	117,213	143,777
Customer deposits	0	0	0	0	0
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	44,163	53,699	66,587	81,317	99,570
Non interest bearing liabilities	1,737	2,841	2,983	3,132	3,288
Hybrid Capital	-	-	-	-	-
Total liabilities	45,900	56,540	69,570	84,449	102,859
Share capital	2,120	2,120	2,120	2,120	2,120
Reserves	13,863	18,567	23,977	30,649	38,804
Total equity	15,983	20,687	26,097	32,769	40,924
Minority interests	(12)	(5)	(5)	(5)	(5)
Total liabilities & equity	61,872	77,222	95,662	117,213	143,777
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	54,193	65,653	80,371	100,547	124,679
Average interest bearing liabilities	39,811	48,931	60,143	73,952	90,444
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	621	749	936	1,123	1,404
Per share (THB)					
Book value per share	7.54	9.76	12.31	15.46	19.30
Tangible book value per share	7.54	9.76	12.31	15.46	19.30
Growth					
Gross customer loans	25.6	17.6	26.5	24.0	24.0
Average interest earning assets	29.5	21.1	22.4	25.1	24.0
Total asset (%)	25.9	24.8	23.9	22.5	22.7
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	nm	nm	nm	nm	nm
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	25.8	26.8	27.3	28.0	28.5
Tangible equity/assets (%)	25.8	26.8	27.3	28.0	28.5
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	15.1	20.5	25.0	20.0	25.0
NPL/gross loans (%)	1.0	1.1	1.0	1.0	1.0
Total provisions/gross loans (%)	2.8	1.9	1.7	1.3	1.7
Total provisions/NPL (%)	275.7	177.3	167.4	160.6	167.2
Valuation					
Recurring P/E (x) *	33.3	27.0	22.1	18.0	14.7
Recurring P/E @ target price (x) *	41.0	33.3	27.3	22.1	18.1
Reported P/E (x)	33.3	27.0	22.1	18.0	14.7
Dividend yield (%)	0.5	0.6	0.7	0.8	1.0
Price/book (x)	8.8	6.8	5.4	4.3	3.4
Price/tangible book (x)	8.8	6.8	5.4	4.3	3.4
Price/tangible book @ target price (x)	10.9	8.4	6.7	5.3	4.2

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	PG	PHOL	PLANB
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PHL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TMB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TSC	TSR	TSTE	TSTH	TTA
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description	Score Range
Excellent	90-100
Very Good	80-89
Good	70-79

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association (“IOD”) regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA’s compilation

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAH	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TMB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

The disclosure of the Anti-Corruption Progress Indicators of a listed company on the Stock Exchange of Thailand, which is assessed by Thaipat Institute, is made in order to comply with the policy and sustainable development plan for the listed companies of the Office of the Securities and Exchange Commission. Thaipat Institute made this assessment based on the information received from the listed company, as stipulated in the form for the assessment of Anti-corruption which refers to the Annual Registration Statement (Form 56-1), Annual Report (Form 56-2), or other relevant documents or reports of such listed company. The assessment result is therefore made from the perspective of Thaipat Institute that is a third party. It is not an assessment of operation and is not based on any inside information. Since this assessment is only the assessment result as of the date appearing in the assessment result, it may be changed after that date or when there is any change to the relevant information. Nevertheless, FSS International Investment Advisory Company Limited does not confirm, verify, or certify the accuracy and completeness of the assessment results.

Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Yuvanart Suwanumchai FSS International Investment Advisory Securities Co., Ltd

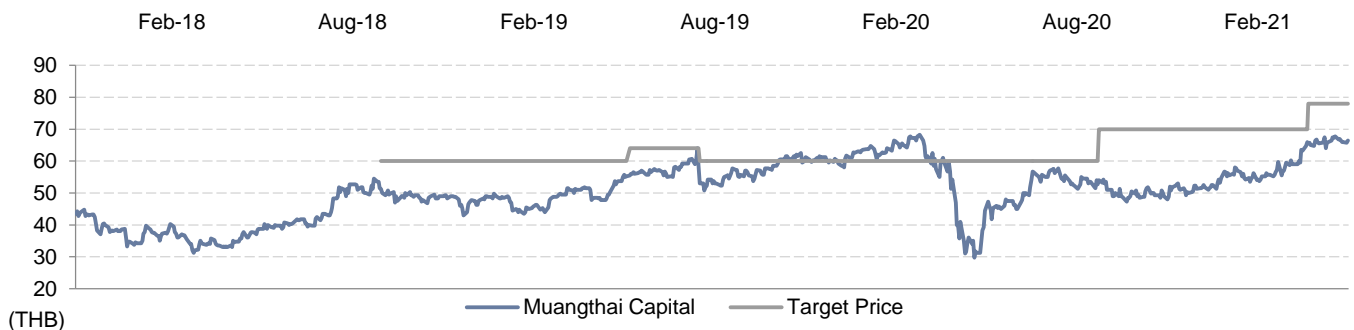
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSS makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSS has no intention to solicit investors to buy or sell any security in this report. In addition, FSS does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

History of change in investment rating and/or target price

Muangthai Capital (MTC TB)



Date	Rating	Target price	Date	Rating	Target price	Date	Rating	Target price
08-Nov-2018	BUY	60.00	02-Apr-2020	HOLD	60.00	13-Aug-2020	BUY	70.00
10-Jun-2019	BUY	64.00	16-Jul-2020	BUY	70.00	12-Jan-2021	BUY	78.00
09-Aug-2019	HOLD	60.00	31-Jul-2020	BUY	70.00			

Yuvanart Suwanumchai started covering this stock from 16-Jul-2020

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Muangthai Capital	MTC TB	THB 66.50	BUY	Downside risks to our GGM-based TP include the expansion into auto-title loans by the Government Savings Bank; further weakening asset quality could potentially hit both loan yield and credit cost.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 16-Feb-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.