

## Key takeaways from analyst meeting

MTC's analyst meeting today mainly focused on the 2H23 outlook and its asset quality, which can be summarised as follows:

### Highlights

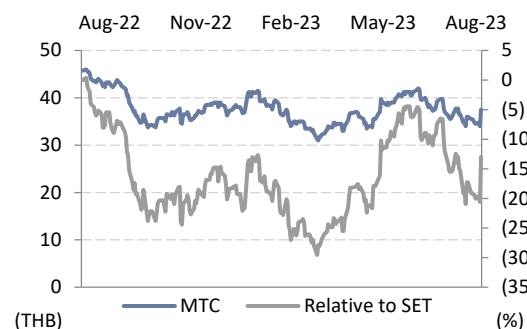
- (0) **Business outlook in 2H23:** loan growth can undoubtedly meet the 2023 target of 20% y-y. Spreads tend to weaken from higher interest costs, but should be offset by the trend of lower operating expenses from fewer branch openings in 2H23. 592 branches were already opened in 1H23, bringing the total number of branches at the end of 2Q23 above the 2023 target to 7,260 branches.
  - (0) **Asset quality outlook in 2H23:** is also a matter that the company is emphasising to ensure that the increasing NPL trend is manageable and aligns with its plan for 1) the 2023 NPL ratio to not exceed 3.50% (2Q23 reported NPL ratio was 3.48%); 2) for expected credit losses (ECL), a 2023 credit cost of 3.5-3.9% (2Q23 credits cost equalled 3.84%); and 3) the coverage ratio (LLR/NPL) to not be lower than 100% (2Q23 equalled 105%).
- MTC reiterates that the overall performance in 2H23 should be similar to 2Q23's regarding loan growth and asset quality; hence, we retain our 2023-25 forecasts.
- (-) Regarding the issue of the D/E ratio at the end of 2Q23 at 3.7x, raising concerns about capital increase prospects as it approaches its debt covenant of not above 4x, the company clarified that for 2023-25, it would reduce the dividend payout ratio to no more than 15% from 2022's unusually high 40%. This should help sustain the D/E ratio below 4x. According to FSSIA's assessment, with a 15% payout ratio, the D/E ratio would likely decrease to 3.70x in 2024 and 3.76x in 2025 from our current assumptions of 3.92x and 4.13x, respectively (under the assumptions of loan growth at 19.0% y-y in 2024 and 19.4% y-y in 2025), which is still a high level in our view.

We think the share price responded too positively to the 2Q23 performance by ignoring the likelihood that NPLs and credit costs have not yet peaked this round. We retain our HOLD call on MTC. Our 2023 GGM-based TP of THB37 implies a P/BV of 2.2x.

TARGET PRICE	THB37.00
CLOSE	THB37.50
UP/DOWNSIDE	-1.3%
TP vs CONSENSUS	+0.6%

### KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	6,360	5,731	7,246	9,146
Net profit	5,093	4,585	5,796	7,317
EPS (THB)	2.40	2.16	2.73	3.45
vs Consensus (%)	-	(5.4)	(3.3)	(3.1)
Recurring net profit	5,093	4,585	5,796	7,317
Core EPS (THB)	2.40	2.16	2.73	3.45
EPS growth (%)	3.0	(10.0)	26.4	26.2
Core P/E (x)	15.6	17.3	13.7	10.9
Dividend yield (%)	2.5	2.3	2.9	3.6
Price/book (x)	2.7	2.5	2.2	1.9
ROE (%)	18.9	15.1	17.2	19.1
ROA (%)	4.5	3.3	3.6	3.8



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	1.4	1.4	(26.5)
Relative to country (%)	(1.2)	3.6	(22.6)
Mkt cap (USD m)	2,275		
3m avg. daily turnover (USD m)	11.7		
Free float (%)	21		
Major shareholder	Petaumpai Family (67%)		
12m high/low (THB)	51.00/30.75		
Issued shares (m)	2,120		

Sources: Bloomberg consensus; FSSIA estimates



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## Exhibit 1: MTC - 2Q23 operations summary

	2Q22	3Q22	4Q22	1Q23	2Q23	----- Change -----		1H23	Change	% of	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)	23E	(THB m)	(y-y%)
Interest income	4,617	4,959	5,338	5,397	5,754	6.6	24.6	11,151	25.3	47	23,503	22.4
Interest expense	(663)	(737)	(810)	(848)	(909)	7.2	37.1	(1,756)	38.7	44	(3,976)	41.3
<b>Net interest income</b>	<b>3,955</b>	<b>4,222</b>	<b>4,528</b>	<b>4,549</b>	<b>4,845</b>	<b>6.5</b>	<b>22.5</b>	<b>9,394</b>	<b>23.0</b>	<b>48</b>	<b>19,527</b>	<b>19.2</b>
Other income	208	226	273	233	287	23.1	38.4	521	40.6	56	935	7.5
<b>Total income</b>	<b>4,162</b>	<b>4,448</b>	<b>4,801</b>	<b>4,783</b>	<b>5,132</b>	<b>7.3</b>	<b>23.3</b>	<b>9,915</b>	<b>23.8</b>	<b>48</b>	<b>20,462</b>	<b>18.6</b>
Operating expenses	(1,946)	(2,008)	(2,152)	(2,352)	(2,463)	4.7	26.5	(4,815)	23.2	50	(9,617)	19.2
<b>PPOP</b>	<b>2,216</b>	<b>2,440</b>	<b>2,649</b>	<b>2,431</b>	<b>2,669</b>	<b>9.8</b>	<b>20.5</b>	<b>5,100</b>	<b>24.5</b>	<b>47</b>	<b>10,845</b>	<b>18.1</b>
Expected credit loss	(481)	(923)	(1,274)	(1,066)	(1,200)	12.6	149.7	(2,265)	259.9	50	(4,564)	87.6
Profit after ECL	1,735	1,517	1,375	1,365	1,469	7.7	(15.3)	2,834	(18.3)	45	6,281	(7.0)
Gain (loss) from asset disposals	0	0	0	0	0	n/a	n/a	0	n/a	0	(550)	39.7
<b>Operating profit</b>	<b>1,735</b>	<b>1,517</b>	<b>1,375</b>	<b>1,365</b>	<b>1,469</b>	<b>7.7</b>	<b>(15.3)</b>	<b>2,834</b>	<b>(18.3)</b>	<b>49</b>	<b>5,731</b>	<b>n/a</b>
Income tax	(355)	(312)	(243)	(295)	(269)	(8.7)	(24.1)	(564)	(20.7)	49	(1,146)	(9.5)
NCI	0	0	0	0	0	n/a	n/a	0	n/a	n/a	0	n/a
<b>Net profit</b>	<b>1,381</b>	<b>1,205</b>	<b>1,132</b>	<b>1,070</b>	<b>1,200</b>	<b>12.2</b>	<b>(13.1)</b>	<b>2,270</b>	<b>(17.6)</b>	<b>50</b>	<b>4,585</b>	<b>(10.0)</b>
EPS (THB)	0.65	0.57	0.53	0.50	0.57	12.2	(13.1)	1.07	(17.6)	50	2.16	(10.0)
Loans	106,153	113,231	119,084	124,200	131,257	5.7	23.6	131,257	23.6		141,713	19.0
Interest bearing debt	86,946	93,232	96,143	98,536	106,327	7.9	22.3	106,327	22.3		113,110	17.6
<b>Key ratios</b>	<b>2Q22</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>(q-q)</b>	<b>(y-y)</b>	<b>1H23</b>	<b>(y-y)</b>		<b>2023E</b>	<b>Change</b>
	(%)	(%)	(%)	(%)	(%)	(ppt)	(ppt)	(%)	(ppt)		(THB m)	(y-y%)
Yield on loans	18.14	18.08	18.38	17.75	18.02	0.3	(0.1)	19.08	0.9		18.02	(0.3)
Cost of funds	3.24	3.25	3.39	3.53	3.60	0.1	0.4	3.64	0.2		3.80	0.4
<b>Spread</b>	<b>14.91</b>	<b>14.84</b>	<b>14.99</b>	<b>14.21</b>	<b>14.42</b>	<b>0.2</b>	<b>(0.5)</b>	<b>14.35</b>	<b>(0.4)</b>		<b>14.22</b>	<b>(0.7)</b>
Cost to Income	46.76	45.14	44.82	49.18	47.99	(1.2)	1.2	51.54	3.5		47.00	0.2
<b>Credit cost</b>	<b>1.90</b>	<b>3.40</b>	<b>4.45</b>	<b>3.57</b>	<b>3.84</b>	<b>0.3</b>	<b>1.9</b>	<b>3.32</b>	<b>1.8</b>		<b>3.40</b>	<b>0.7</b>
NPL / Loan	1.99	2.33	3.00	3.28	3.48	0.2	1.5	3.48	1.5		3.41	0.5
LLR / Loan	1.92	2.38	3.15	3.44	3.66	0.2	1.7	3.66	1.7		3.58	0.5
<b>Coverage ratio</b>	<b>96.26</b>	<b>102.29</b>	<b>105.11</b>	<b>105.00</b>	<b>105.15</b>	<b>0.1</b>	<b>8.9</b>	<b>105.15</b>	<b>8.9</b>		<b>105.04</b>	<b>(0.1)</b>
D/E (x)	3.32	3.40	3.40	3.37	3.71			3.71			3.67	
<b>IDBE (x)</b>	<b>3.24</b>	<b>3.33</b>	<b>3.30</b>	<b>3.27</b>	<b>3.62</b>			<b>3.62</b>			<b>3.56</b>	
S/T debt/total debt (x)	6.74	7.61	8.26	4.94	5.29			5.29			4.86	
Loan growth q-q	8.9	6.7	5.2	4.3	5.7							
Loan growth y-y	35.3	35.7	32.2	27.5	23.6			23.6				
Loan growth YTD	17.9	25.7	32.2	4.3	10.2			10.2				
<b>Branch (no)</b>	<b>6,475</b>	<b>6,547</b>	<b>6,668</b>	<b>6,962</b>	<b>7,260</b>	<b>4.3</b>	<b>12.1</b>	<b>7,260</b>	<b>12.1</b>		<b>7,200</b>	<b>8.0</b>
<i>Increase from prior period (no)</i>	<i>314</i>	<i>72</i>	<i>121</i>	<i>294</i>	<i>298</i>			<i>785</i>			<i>532</i>	
Loans per branch (THB m)	16.39	17.30	17.86	17.84	18.08	1.3	10.3	18.08	10.3		19.68	10.2
Net profit per branch (THB m)	0.21	0.18	0.17	0.15	0.17	7.5	(22.5)	0.63	(26.5)		0.64	(16.6)

Sources: MTC; FSSIA estimates

## Exhibit 2: MTC's staged loans with allowances for ECL and coverage ratio (%) 2020-1Q23

	2020	2021	2022	1Q23	2Q23	2020	2021	2022	1Q23	2Q23
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(%)	(%)	(%)	(%)	(%)
<b>Loans &amp; accrued interest</b>						<b>Staged loans % of total loans</b>				
Stage 1	65,372	81,837	105,097	109,369	115,581	92.6	93.4	87.1	87.0	87.0
Stage 2	4,489	4,578	12,009	12,383	12,800	6.4	5.2	10.0	9.8	9.6
Stage 3	747	1,187	3,506	3,991	4,470	1.1	1.4	2.9	3.2	3.4
<b>Total</b>	<b>70,607</b>	<b>87,602</b>	<b>120,613</b>	<b>125,743</b>	<b>132,851</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Expected credit loss (ECL)</b>						<b>ECL % of staged loans</b>				
Stage 1	538	709	767	876	989	40.6	39.7	20.8	20.9	23.6
Stage 2	307	349	682	874	940	23.1	19.5	18.5	20.8	22.4
Stage 3	481	729	2,237	2,442	2,770	36.3	40.8	60.7	58.3	66.1
<b>Total</b>	<b>1,326</b>	<b>1,788</b>	<b>3,686</b>	<b>4,191</b>	<b>4,191</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>LLR / Loans</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>	<b>(%)</b>					
Stage 1	0.8	0.9	0.7	0.8	0.9					
Stage 2	6.8	7.6	5.7	7.1	7.3					
Stage 3	64.4	61.4	63.8	61.2	62.0					
<b>Total</b>	<b>1.9</b>	<b>2.0</b>	<b>3.1</b>	<b>3.3</b>	<b>3.2</b>					
<b>NPL/TL</b>	<b>1.06</b>	<b>1.36</b>	<b>2.91</b>	<b>3.17</b>	<b>3.36</b>					
<b>NPLs vs stage 2 loans/TL</b>	<b>7.42</b>	<b>6.58</b>	<b>12.86</b>	<b>13.02</b>	<b>13.00</b>					
<b>LLR/NPL</b>	<b>177.50</b>	<b>150.59</b>	<b>105.12</b>	<b>105.02</b>	<b>93.78</b>					
<b>LLR/(NPLs vs stage 2 loans)</b>	<b>25.32</b>	<b>31.01</b>	<b>23.76</b>	<b>25.60</b>	<b>24.27</b>					

Sources: MTC; FSSIA's compilation

## ESG and Sustainability Development – MTC

E/S/G	Materiality matrix	Achievement
<b>Economic &amp; Governance</b>	To follow good corporate governance standards, conduct business with good governance and comprehensive risk management, encourage innovations, and consistently achieve value for the business.	
	Risk management	At end of 2022, the company has a total of 3,234,042 customers, with an average age of 40-50 years through 6,668 branches. Customer by occupation are government officer (average age 44 years); merchant and business owner (average age 45 years); office worker (average age 39 years); temporary worker (average age 46 years); farmers and livestock (average age 48 years). MTC assesses risks into two dimensions; likelihood of risk to occur from one week to 6-12 months and impacts in terms of damage value from THB50,000 to THB1m and establishes four types of control; preventive, detective, directive and corrective controls.
	Corruption	The Company has put in place strict measures to prevent damage; such as continually reviewing the causes and rates of corruption; and implement the SAP operating system etc. apart from organizing a training to develop morality and ethics.
	Innovation and cyber threats	Develop technology for online debtor and work system, improving the system at least 2 times a month; recruiting third parties with specific expertise to ensure that customers can access services at ease. In 2022, there was no cyber-attack incident.
	Interest rate risk	In 2022, MTC charged interest at a rate lower than the level set by the Bank of Thailand, therefore flexible in adjusting its ceiling rate to align with cost. In addition, the company has increased the proportion of debenture funding in a bid to lessen rate rise risk.
	Competition and new competitors	As MTC's main target customers are low income, unprivileged, and low exposure to technology, the company is focusing on providing a fair interest rate and having the most customer coverage via aggressive branch expansion to serve customers in nearby areas. The company plans to expand to every villages in Thailand, except for the 3 southern border provinces. To tackle unconventional competitors such as FINTECH, the company has been in the process of developing the Muangthai Capital 4.0 application, in response to the new generation and further extend retail portfolio of loan products. Before being listed on the Stock Exchange of Thailand, the Company only had motorcycle registration loans. After entering the Stock Exchange of Thailand, the Company added vehicle title loans, vehicle title loans for agriculture, land title deed loans, unsecured personal loans, and Nano Finance loans, respectively. The Company has recently expanded motorcycle hire purchase loans to existing customers who have a good record of payment.
<b>Social</b>	Human resource management	Turnover rate was 17% of 20% targeted rate. MTC provides marriage allowance, childbirth financial support, and sharing fund to help employee who losses family member, etc.
	Human rights	In 2022, female employee are 10.9% of total; female employee in head office are 39.4%, female management position with in revenue generating function are 17.6%. MTC has three disabilities employee. To provide opportunity for Thai local youths, MTC is open for paid-internship program for treasury position at branches with monthly compensation.
	Occupational health	MTC offers accommodation at branch building, and dormitory with fitness facility at the Head Office. Employee activities include new year party, sport event, annual company's trip. There were 8 cases of work injury in 2022 compared with 5 in 2021.
	Employees' training	The Company encourages employees to develop skills and the knowledge necessary to perform the work for maximum efficiency and effectiveness through training and an internal learning platform called "MTC University", a digital library which all employees can access to share and enhance working knowledge.
	Customer satisfaction	Satisfaction assessment results was 83.59% from 80% target
	Social projects (CSR)	In 2022, MTC designed, built and donated the 3rd Chitmetta Chuchat Daonapha Building worth THB30m for a small village in the North to be a dental center and administrative work. The building designed to have high ceilings for well ventilated, electricity save, and hygienic. The company also built 20 modified motorcycles worth more than THB2.4m for villagers in 20 sub-districts to conveniently commute to public health system and provides THB2m financial support to organize a training course to develop knowledge on beekeeping technology, product development, financial and marketing knowledge to over 650 be farmers.
<b>Environment</b>	Air pollution, greenhouse gas emissions	The company managed to reduce energy consumption to loans to 2.07, from 2021 of 2.38, with an attempt to lower energy concentration and water consumption volume while bearing in mind about greenhouse gas emission. The company always operates with environmental considerations by choosing partners who use environmentally friendly products and setting policies and guidelines for the most efficient use of resources.
<b>Awards and recognitions</b>	<b>Development of ESG performance to international level</b>	
	MSCI ESG Ratings	Rated "AA" on the ESG performance in the Consumer Finance sector
	Sustainable Development Goals	Applied the Sustainable Development Goals (SDGs) by the United Nations to establish policies and guidelines
	S&P Global	Participating in the ESG rating by S&P global
	The Disclosure Insight Action for Sustainable Economy (CDP)	Receives "D Level" <sup>a)</sup> for environmental disclosure and performance
	Thai Investors Association	Rated "very good" with a full 100 scores for quality assessment of the 2022 AGM <sup>b)</sup>
	Collective Action Coalition Action Against Corruption (CAC)	Certified by Thailand's Private Sector CAC
	Thailand Sustainability Investment (THSI)	The first microfinance listed in THIS, listed for the fourth consecutive years in 2022
	Thai Institute of Directors (IOD)	Rated "Excellent" (5stars) for the fifth consecutive years for CG assessment of SET's listed companies in 2022

<sup>a)</sup> CDP's D-score or "Disclosure Level" indicates an extensive set of disclosed information and is deemed the starting point for organizations that want to demonstrate that they have begun their environmental journey; <sup>b)</sup> Annual General Meeting of shareholders

Additional information: [MTC's sustainability report, 2022](#)

Source: FSSIA compilation

## Financial Statements

### Muangthai Capital

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	15,195	19,199	23,503	28,241	34,055
Interest expense	(2,127)	(2,813)	(3,976)	(4,855)	(5,837)
Net interest income	13,068	16,386	19,527	23,387	28,218
Net fees & commission	769	792	870	905	941
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	20	0	0	0	0
Other income	55	78	65	70	80
Non interest income	843	869	935	975	1,021
Total income	13,911	17,255	20,462	24,361	29,239
Staff costs	(6,961)	(8,069)	(9,617)	(11,450)	(13,742)
Other operating costs	-	-	-	-	-
Operating costs	(6,961)	(8,069)	(9,617)	(11,450)	(13,742)
Pre provision operating profit	6,949	9,187	10,845	12,912	15,497
Expected credit loss	(748)	(2,433)	(4,564)	(4,966)	(5,551)
Other provisions	-	(394)	(550)	(700)	(800)
Operating profit	6,201	6,360	5,731	7,246	9,146
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	6,201	6,360	5,731	7,246	9,146
Tax	(1,257)	(1,267)	(1,146)	(1,449)	(1,829)
Profit after tax	4,945	5,093	4,585	5,796	7,317
Non-controlling interest	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,945	5,093	4,585	5,796	7,317
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	4,945	5,093	4,585	5,796	7,317
<b>Per share (THB)</b>					
Recurring EPS *	2.33	2.40	2.16	2.73	3.45
Reported EPS	2.33	2.40	2.16	2.73	3.45
DPS	0.37	0.95	0.86	1.08	1.36
<b>Growth</b>					
Net interest income (%)	8.0	25.4	19.2	19.8	20.7
Non interest income (%)	4.4	3.1	7.5	4.3	4.7
Pre provision operating profit (%)	2.8	32.2	18.1	19.1	20.0
Operating profit (%)	(4.2)	2.6	(9.9)	26.4	26.2
Reported net profit (%)	(4.3)	3.0	(10.0)	26.4	26.2
Recurring EPS (%)	(4.3)	3.0	(10.0)	26.4	26.2
Reported EPS (%)	(4.3)	3.0	(10.0)	26.4	26.2
<b>Income Breakdown</b>					
Net interest income (%)	93.9	95.0	95.4	96.0	96.5
Net fees & commission (%)	5.5	4.6	4.3	3.7	3.2
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.1	-	-	-	-
Other income (%)	0.4	0.5	0.3	0.3	0.3
<b>Operating performance</b>					
Gross interest yield (%)	18.90	18.30	18.02	18.20	18.40
Cost of funds (%)	3.38	3.36	3.80	3.90	3.90
Net interest spread (%)	15.52	14.94	14.22	14.30	14.50
Net interest margin (%)	16.3	15.6	15.0	15.1	15.3
Cost/income(%)	50.0	46.8	47.0	47.0	47.0
Credit cost (%)	0.93	2.70	3.40	3.20	3.00
Effective tax rate (%)	20.3	19.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	15.9	39.5	39.5	39.5	39.5
ROE (%)	21.7	18.9	15.1	17.2	19.1
ROE - COE (%)	10.9	8.1	4.3	6.4	8.3
ROA (%)	5.6	4.5	3.3	3.6	3.8
RORWA (%)	-	-	-	-	-

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

## Financial Statements

### Muangthai Capital

Balance Sheet (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Gross customer loans	90,701	119,084	141,713	168,664	201,410
Allowance for expected credit loss	(1,832)	(3,686)	(5,071)	(6,085)	(7,302)
interest in suspense	1,200	1,675	1,970	2,364	2,837
<b>Net customer loans</b>	<b>90,069</b>	<b>117,073</b>	<b>138,612</b>	<b>164,943</b>	<b>196,945</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,306	3,213	1,587	1,491	1,662
Other interesting assets	-	-	-	-	-
Tangible fixed assets	2,054	2,037	2,241	2,465	2,712
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	4,961	5,743	6,118	7,010	8,043
<b>Total assets</b>	<b>98,390</b>	<b>128,066</b>	<b>148,558</b>	<b>175,909</b>	<b>209,362</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	71,325	96,143	113,110	135,840	163,502
Non interest bearing liabilities	2,197	2,833	3,662	4,300	5,067
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>73,521</b>	<b>98,976</b>	<b>116,773</b>	<b>140,140</b>	<b>168,569</b>
Share capital	2,120	2,120	2,120	2,120	2,120
Reserves	22,749	26,971	29,665	33,648	38,673
<b>Total equity</b>	<b>24,869</b>	<b>29,091</b>	<b>31,785</b>	<b>35,768</b>	<b>40,793</b>
Non-controlling interest	-	-	-	-	-
<b>Total liabilities &amp; equity</b>	<b>98,390</b>	<b>128,066</b>	<b>148,558</b>	<b>175,909</b>	<b>209,362</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	80,400	104,892	130,398	155,188	185,037
Average interest bearing liabilities	62,931	83,734	104,627	124,475	149,671
CET 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	1,276	3,507	4,828	5,793	6,952
<b>Per share (THB)</b>					
Book value per share	11.73	13.72	14.99	16.87	19.24
Tangible book value per share	11.73	13.72	14.99	16.87	19.24
<b>Growth</b>					
Gross customer loans	29.4	31.3	19.0	19.0	19.4
Average interest earning assets	24.1	30.5	24.3	19.0	19.2
Total asset (%)	27.4	30.2	16.0	18.4	19.0
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	25.3	22.7	21.4	20.3	19.5
Tangible equity/assets (%)	25.3	22.7	21.4	20.3	19.5
RWA/assets (%)	-	-	-	-	-
D/E (%)	2.96	3.40	3.67	3.92	4.13
IDBE (%)	2.87	3.30	3.56	3.80	4.01
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	70.8	174.8	37.7	20.0	20.0
NPL/gross loans (%)	1.4	2.9	3.4	3.4	3.5
Allowance for ECL/gross loans (%)	2.0	3.1	3.6	3.6	3.6
Allowance for ECL/NPL (%)	143.6	105.1	105.0	105.0	105.0
<b>Valuation</b>					
Recurring P/E (x) *	16.1	15.6	17.3	13.7	10.9
Recurring P/E @ target price (x) *	15.9	15.4	17.1	13.5	10.7
Reported P/E (x)	16.1	15.6	17.3	13.7	10.9
Dividend yield (%)	1.0	2.5	2.3	2.9	3.6
Price/book (x)	3.2	2.7	2.5	2.2	1.9
Price/tangible book (x)	3.2	2.7	2.5	2.2	1.9
Price/tangible book @ target price (x)	3.2	2.7	2.5	2.2	1.9

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: Muangthai Capital; FSSIA estimates

## Public disclosures related to sustainable development evaluation of Thai listed companies

**Rating** regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "**CG Score**" by the Thai Institute of Directors Association (Thai IOD); 2) "**AGM Checklist**" by the Thai Investors Association (TIA), a "**CAC certified member**" of the Thai Private Sector Collective Action Against Corruption (CAC); and 3) "**Sustainability Investment List (THSI)**" by the Stock Exchange of Thailand. The ratings are updated on an annual basis. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such ratings.

### CG Score by the Thai Institute of Directors Association (Thai IOD)<sup>1</sup>

The **CG Score** indicates corporate governance (CG) strength in the sustainable development of Thai listed companies. Annually, the Thai IOD, with support from the Stock Exchange of Thailand (SET), surveys and assesses the CG practices of companies and publishes the results on the [Thai IOD website](#) in a bid to promote and enhance the CG of Thai listed companies in order to promote compliance with international standards for better investment decisions. The results are from the perspective of a third party, not an evaluation of operations, as of the date appearing in the report, and may be changed after that date.

The **five underlying categories and weighting** used for the CG scoring in 2022 include the rights of shareholders and equitable treatment of shareholders (weight 25% combined), the role of stakeholders (25%), disclosure and transparency (15%), and board responsibilities (35%).

The CGR report rates CG in six categories: 5 for Excellent (score range 90-100), 4 for Very Good (score range 80-89), 3 for Good (Score range 70-79), 2 for Fair (score range 60-69), 1 for Pass (score range 60-69), and not rated (score below 50).

### Corporate Governance Report Disclaimer

The disclosure of the survey result 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 companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at [Thai IOD website](#). 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 data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. **FSSIA** does not confirm nor certify the accuracy of such survey result.

### AGM Checklist by the Thai Investors Association (TIA)<sup>2</sup>

The "**AGM Checklist**" quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and the extent to which information is sufficiently disclosed and the level of its transparency. All the considered factors form important elements of two out of five the CG components. Annually, the TIA, with support from the SEC, leads the project to evaluate the quality of Annual General Meetings of Shareholders (AGMs) and to rate quality of the meetings.

The **Checklist** contains the minimum requirements under law that companies must comply with, or best practices according to international CG guidance. Representatives of the TIA will attend the meetings and perform the evaluation. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating of how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.

The results are classified into four categories: 5 for Excellent (score 100), 4 for Very Good (score 90-99), 3 for Fair (score 80-89), and not rated (score below 79).

### CAC certified member by the Thai Private Sector Collective Action Against Corruption (CAC)<sup>3</sup>

A **CAC certified member** is a listed company whose Checklist satisfies the CAC Certification's criteria and is approved by the CAC Council. The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. Note that the CAC does not certify the behaviour of the employees nor whether the companies have engaged in bribery, and Certification is good for three years.

Companies deciding to become a CAC certified member **start with** by submitting a Declaration of Intent signed by the Chairman of the Board to kick off the 18-month deadline for companies to submit the CAC Checklist for Certification. The 18-month provision is for risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.

The checklist document will be reviewed by the CAC Certification Committee for adequate information and evidence. It is worth noting that the committee consists of nine professionals in business law, corporate governance, internal audit, financial audit and experienced representatives from certified members.

A passed Checklist will move on to the **CAC Council** for granting certification approvals. The CAC Council consists of twelve prominent individuals who are highly respected in professionalism and ethical achievements. Among them are former ministers, a former central bank governor, the former head of the Thai Listed Companies Association, Chairman of Anti-Corruption Organizations (Thailand), Chairman of Thai Institute of Directors, and reputable academic scholars.

### Sustainability Investment (THSI)<sup>4</sup> by the Stock Exchange of Thailand (SET)

Thailand Sustainability Investment (**THSI**) quantifies responsibility in **Environmental**, and **Social** issues, by managing business with transparency in **Governance**. The THSI serves as another choice for investors who desire to adopt a responsible investment approach, according to the SET.

Annually, the SET will announce the voluntary participation of the company candidates which pass the preemptive criteria, and whose two key crucial conditions are met, i.e. no irregular trading of the board members and executives and a free float of >150 by the number of shareholders, and combined holding must >15% of paid-up capital. Some key disqualifying criteria include a CG score of below 70%; independent directors and free float violation; executives' wrongdoing related to CG, social and environmental impacts, equity in negative territory, and earnings in the red for more than three years in the last five years. To become eligible for THSI, the candidate must pass three indicators in data declaration: **Economic** (CG, risk management, customer relation management, supply chain management, and innovation); **Environmental** (environmental management, eco-efficiency, and climate risk); **Social** (human rights, talent attraction, operational health & safety, community development, and stakeholder engagement); and the incorporation of ESG in business operations.

To be approved for THSI inclusion, verified data must be scored at a 50% minimum for each indicator, unless the company is a part of the Dow Jones Sustainability Indices<sup>5</sup> (DJSI) during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality.

Note that, from the **THSI list**, the SET further developed a sustainability **SETTHSI Index** in June 2018 from selected THSI companies whose 1) market capitalisation > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.

Sources: [SEC](#); [Thai IOD](#); [Thai CAC](#); [SET](#); FSSIA's compilation

#### Disclaimer:

<sup>1</sup> Thai Institute of Directors Association ([Thai IOD](#)) was established in December 1999 and is a membership organisation that strives to promote professionalism in directorship. The Thai IOD offers directors certification and professional development courses, provides a variety of seminars, forums and networking events, and conducts research on board governance issues and practices. Membership comprises board members from companies ranging from large publicly listed companies to small private firms.

<sup>2</sup> Thai Investors Association ([TIA](#)) was established in 1983 with a mission to promote investment knowledge and to protect the investment rights of Thai investors. In 2002, the association was appointed by the Securities and Exchange Commission (SEC) to represent individual shareholders. To obtain information for evaluation, the association recruits volunteer investors to join AGMs and score the meetings. Weightings for each meeting are at a 45:45:10 ratio. They have been applied since 2017 and subject to change.

<sup>3</sup> Thai Private Sector Collective Action against Corruption ([CAC](#)) was founded in 2010 and is 100% privately funded. It is an initiative by the Thai private sector to take part in tackling corruption problems via collective action. The CAC promotes the implementation of effective anti-corruption policies in order to create a transparent business ecosystem by developing a unique certification program for large/medium/small companies to apply for and to control corruption risk systematically and efficiently. The CAC's operations are sponsored by the US-based Center for Private Enterprise (CIPE) and the UK Prosperity Fund.

<sup>4</sup> Sustainability Investment List ([THSI](#)), created by the Stock Exchange of Thailand in 2015, comprises the listed companies that conduct sustainable business operations.

<sup>5</sup> Dow Jones Sustainability Indices – [Wikipedia](#) – Launched in 1999, DJSI evaluates the sustainability performance of companies based on corporate economic, environmental, and social performance.

**GENERAL DISCLAIMER**

**ANALYST(S) CERTIFICATION**

Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

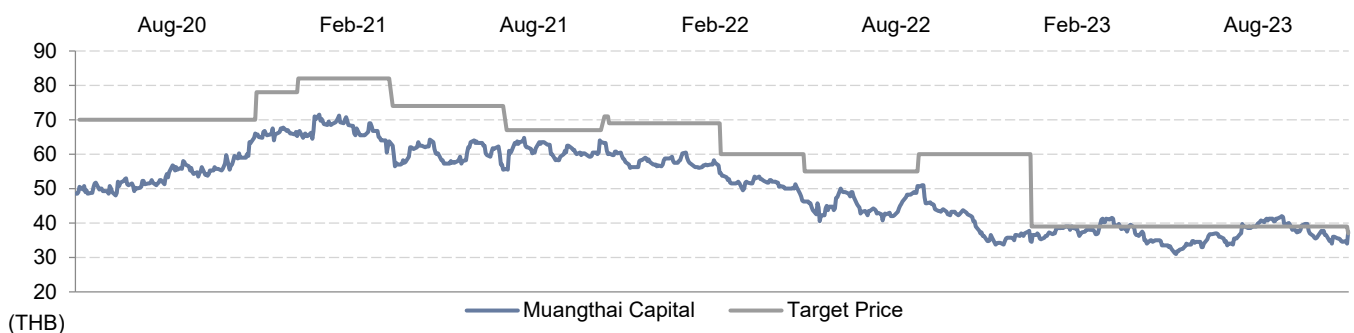
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s)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

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**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
13-Aug-2020	BUY	70.00	13-Aug-2021	BUY	67.00	28-Apr-2022	BUY	55.00
12-Jan-2021	BUY	78.00	05-Nov-2021	BUY	71.00	04-Aug-2022	BUY	60.00
17-Feb-2021	BUY	82.00	11-Nov-2021	BUY	69.00	09-Nov-2022	HOLD	39.00
07-May-2021	BUY	74.00	15-Feb-2022	BUY	60.00	08-Aug-2023	HOLD	37.00

Usanee Liurut, CISA started covering this stock from 08-Aug-2023

Price and TP are in local currency

Source: FSSIA estimates

Company	Ticker	Price	Rating	Valuation & Risks
Muangthai Capital	MTC TB	THB 37.50	HOLD	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board. Upside risks to our TP include 1) a better asset quality control; and 2) an increase interest rate charge to clients.

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 Finasia 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 Finasia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 09-Aug-2023 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.