

BUY

FROM HOLD

TARGET PRICE	THB44.00
CLOSE	THB36.00
UP/DOWNSIDE	+22.2%
PRIOR TP	THB37.00
CHANGE IN TP	+18.9%
TP vs CONSENSUS	

## 3Q23E net profit remains solid

- We expect the 3Q23 net profit to remain strong, even though the NPL ratio and credit cost could hit their peak.
- We revised the 2023-25E net profit by 4.2%-8.9%, resulting in an average earnings growth of 16.1% p.a. CAGR.
- We upgraded our recommendation to BUY from HOLD.

### 3Q23 net profit to grow in line with business expansion

We expect a 3Q23 profit of THB1.23b, up 2.9% q-q and 2.4% y-y. We also predict the PPOP could grow by 6.8% q-q and 16.8% y-y, supported by an increase in net interest income combined with expected loan growth of 5.2% q-q and 21.9% y-y, helped by a rise in secured loans (car and land title loans). Meanwhile, Motorcycle hire purchase loans (4% of total loans), personal loans, and nano finance loans (15%) continued to slow in line with strict credit policies for high-risk groups. Our 3Q23E interest spread remains relatively stable from 2Q23 at 14.48% due to an acceleration in interest expenses of around 15bp to 3.70%, almost entirely offsetting the positive effects of the increase in loan yields.

### Expect NPL to peak in 3Q23 and gradually decrease in 4Q23

Overall, the asset quality in 3Q23 still required continued proactive management, with an expected credit cost (including losses from sales of repossessed vehicles) accelerating to 3.98% (still within the company's guidance of less than 4%) to support the acceleration of NPL sales. While we expect the NPL ratio to remain stable at 3.48%, it is still lower than MTC's 2023E target of less than 3.50%. For the 4Q23 outlook, MTC expects its 4Q23 credit cost to gradually decrease compared to the 2Q23 benchmark of approximately 3.76%.

### Increase 2023-25E profit and reduce payout ratio to 15%

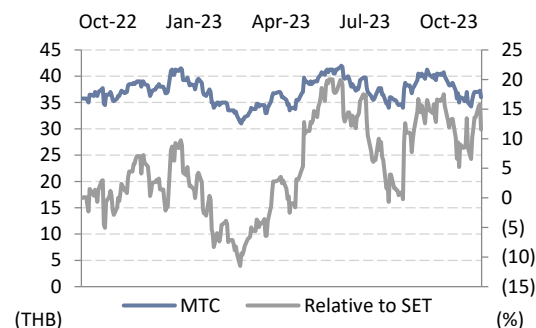
We increase our 2023-25 net profit forecast by an average of 4.2%-8.9% to reflect adjustments to our assumptions: 1) increased net loan growth, 2) a higher interest spread, 3) a lower credit cost (including losses from repossessed cars), 4) a higher cost-to-income ratio, and 5) a lower dividend payout ratio of 15% (from 40%) to reflect capital management. As a result, our net profit forecast for 2023-25 implies an average growth of 16.1% p.a. CAGR (from 12.8%), with the secured loan segment being the driving force for total loan growth.

### Upgrade to BUY and roll over to our 2024 TP of THB44

We upgraded our recommendation to BUY from HOLD. Our 2024 GGM-based TP of THB44 (from 2023 TP of THB37) implies a P/BV of 2.49x (from 2.2x due to a higher LT-ROE and LT-growth target).

## KEY STOCK DATA

YE Dec (THB m)	2022	2023E	2024E	2025E
Operating profit	6,360	5,973	7,662	9,957
Net profit	5,093	4,778	6,130	7,965
EPS (THB)	2.40	2.25	2.89	3.76
vs Consensus (%)	-	(0.4)	4.0	9.5
Recurring net profit	5,093	4,778	6,130	7,965
Core EPS (THB)	2.40	2.25	2.89	3.76
Chg. In EPS est. (%)	-	4.2	5.8	8.9
EPS growth (%)	3.0	(6.2)	28.3	29.9
Core P/E (x)	15.0	16.0	12.5	9.6
Dividend yield (%)	2.6	0.9	1.2	1.6
Price/book (x)	2.6	2.4	2.0	1.7
ROE (%)	18.9	15.6	17.7	19.5
ROA (%)	4.5	3.4	3.7	4.0



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(7.1)	(3.4)	3.6
Relative to country (%)	(1.6)	3.3	14.5
Mkt cap (USD m)	2,104		
3m avg. daily turnover (USD m)	10.9		
Free float (%)	21		
Major shareholder	Petaumpai Family (67%)		
12m high/low (THB)	42.25/30.75		
Issued shares (m)	2,120		

Sources: Bloomberg consensus; FSSIA estimates



Usanee Liurut, CISA

Fundamental Investment Analyst on Capital Market; License no. 017928  
usanee.l@fssia.com, +66 2646 9967

Maeta Cherdsatirakul

Research Assistant  
maeta.c@fssia.com, +66 2646 9971

### Investment thesis

We upgrade our recommendation to BUY from HOLD due to:

- 1) We revise our 2023-25E net profit by 4.2%-8.9%, resulting in an average earnings growth of 16.1% p.a. CAGR, with the secured loan segment being the driving force for total loan growth.
- 2) The possibility of NPL passing its peak in 3Q23 after proactive NPL management and prudent credit quality control start to bear fruit.
- 3) We roll over to our 2024 TP of THB44. The current share price offers a potential 2023 return of 23.1% p.a. (22.2% potential upside plus an expected dividend yield of 0.9% p.a.)

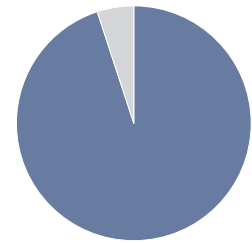
### Company profile

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](http://www.muangthaicap.com)

### Principal activities (revenue, 2022)

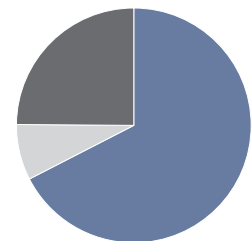
- Net interest income - 95.0 %
- Non-interest income - 5.0 %



Source: Muangthai Capital

### Major shareholders

- Petaumpai Family - 67.5 %
- Thai NVDR Co., Ltd. - 7.7 %
- Others - 24.9 %



Source: Muangthai Capital

### Catalysts

- 1) A faster-than-expected economic recovery in Thailand;
- 2) A faster-than-expected new government formation;
- 3) Upcoming economic stimulus from the new government.

### Risks to our call

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.

### Event calendar

Date	Event
7 November 2023	3Q23 results announcement
9 November 2023	3Q23 analyst meeting

### Key assumptions

	2023E (%)	2024E (%)	2025E (%)
Net profit (THB m)	4,778	6,130	7,965
Net profit growth (%)	(6.2)	28.3	29.9
Spread (%)	14.62	14.71	14.77
Loan growth (%)	21.9	19.0	19.4
Net interest income growth (%)	20.7	20.8	20.0
Fee growth (%)	28.9	4.0	4.0
Credit cost (%)	3.79	3.48	3.04
Cost to income (%)	48.0	48.0	48.0

Source: FSSIA estimates

### Earnings sensitivity

		2023E	2024E	2025E
<b>Loan growth</b>	<b>±2ppt</b>	17.0%	<b>19.0%</b>	21.0%
% change in net profit		(1)	-	+1
<b>Spread (%)</b>	<b>±10bp</b>	14.61%	<b>14.71%</b>	14.81%
% change in net profit		(1)	-	+1
<b>Credit cost (bp)</b>	<b>±10bp</b>	3.38%	<b>3.48%</b>	3.58%
% change in net profit		+2	-	(2)

Source: FSSIA estimates

### 3Q23 net profit to grow in line with business expansion

We expect 3Q23 profit of THB1.23b, up 2.9% q-q and 2.4% y-y. We also predict the PPOP could grow by 6.8% q-q and 16.8% y-y, supported by an increase in net interest income combined with expected loan growth of 5.2% q-q and 21.9% y-y, helped by a rise in secured loans (car and land title loans). Meanwhile, motorcycle hire purchase loans (4% of total loans), personal loans, and nanofinance loans (15%) continued to slow in line with strict credit policies for high-risk groups. Our 3Q23E interest spread remains relatively stable from 2Q23 at 14.48% due to an acceleration in interest expenses of around 15bp to 3.70%, almost entirely offsetting the positive effects of the increase in loan yields. Our 3Q23E cost-to-income ratio showed a modest decrease to 47.41% due mainly to an acceleration of revenues that outpaced expenses. Our 9M23 net profit forecast is THB3.50b, down 11.5% y-y, accounting for 73% of our full-year 2023 net profit estimate.

### Expect NPL and credit cost to peak in 3Q23 and gradually decrease in 4Q23

Overall, the asset quality in 3Q23 still requires continued proactive management, with an expected credit cost (including losses from sales of repossessed vehicles) accelerating to 3.98% (still within the company's guidance of less than 4%) to support the acceleration of NPL sales. While we expect the NPL ratio to remain stable at 3.48%, it is still lower than MTC's 2023E target of less than 3.50%. For the 4Q23 outlook, the company continues to focus on proactive NPL management to control the NPL flow, including the increase in stage 2 loans that have climbed to nearly 10% of total loans. MTC expects the 4Q23 credit cost to gradually decrease compared to the 2Q23 benchmark of approximately 3.76%.

### Increase profit forecast for 2023-25 and reduce payout ratio to 15%

We increase our 2023-25 net profit forecast by an average of 4.2%-8.9% to reflect adjustments to our assumptions: 1) increased net loan growth, 2) a higher interest spread, 3) a lower credit cost (including losses from repossessed cars), 4) a higher cost-to-income ratio, and 5) a lower dividend payout ratio of 15% (from 40%) to reflect capital management to reduce the impact of gearing ratio that approaches to the debt covenants of not exceeding four times. As a result, our net profit forecast for 2023-25 implies an average growth of 16.1% p.a. CAGR (from 12.8%), with the secured loan segment being the driving force for total loan growth, replacing unsecured loans that are still prudent in credit quality control.

### Exhibit 1: 2023-25E earnings revision

Key assumptions	New			Previous			Change		
	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
Net profit (THB m)	4,778	6,130	7,965	4,585	5,796	7,317	4.2%	5.8%	8.9%
Net profit growth (%)	(6.2)	28.3	29.9	(10.0)	26.4	26.2			
Average yields	18.42%	18.66%	18.87%	18.02%	18.20%	18.40%			
Cost of funds	3.80%	3.95%	4.10%	3.80%	3.90%	3.90%			
Spread (%)	14.62	14.71	14.77	14.22	14.30	14.50			
Loan growth (%)	21.9	19.0	19.4	19.0	19.0	19.4			
Net interest income growth (%)	20.7	20.8	20.0	19.2	19.8	20.7			
Fee growth (%)	28.9	4.0	4.0	9.9	4.0	4.0			
Credit cost (included losses from car repossessed) (%)	3.79	3.48	3.04	3.81	3.65	3.43			
Cost to income (%)	48.0	48.0	48.0	47.0	47.0	47.0			

Source: FSSIA estimates

## Upgrade recommendation to BUY and rollover to our 2024 TP of THB44

We upgraded our recommendation to BUY from HOLD. Our 2024 GGM-based TP of THB44 (from 2023 TP of THB37) implies a P/BV of 2.49x (from 2.2x due to a higher LT-ROE and LT-growth target), resulting in a higher potential upside of 22%.

### Exhibit 2: GGM-derived TP, 2024E revision

Gordon growth model	
Sustainable ROE	17.6%
g	5.3%
ROE-g	12.3%
Beta	1.29
Risk free rate	2.5%
Risk premium	6.0%
COE	10.2%
COE-g	4.9%
ROE-g/COE-g (x)	2.49

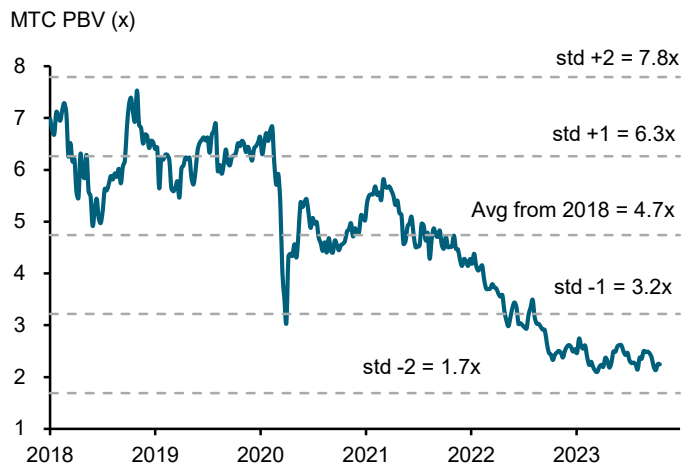
Source: FSSIA estimates

### Exhibit 3: MTC – 3Q23 earnings preview

	3Q22	4Q22	1Q23	2Q23	3Q23E	----- Change -----		9M22	9M23E	Change	% of	2022	2023E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(THB m)	(y-y%)	23E	(THB m)	(THB m)	(y-y%)
Interest income	4,959	5,338	5,397	5,754	6,121	6.4	23.4	13,861	17,272	24.6	73	19,199	23,813	24.0
Interest expense	(737)	(810)	(848)	(909)	(1,010)	11.1	37.1	(2,003)	(2,766)	38.1	69	(2,813)	(4,033)	43.4
<b>Net interest income</b>	<b>4,222</b>	<b>4,528</b>	<b>4,549</b>	<b>4,845</b>	<b>5,111</b>	<b>5.5</b>	<b>21.1</b>	<b>11,858</b>	<b>14,505</b>	<b>22.3</b>	<b>73</b>	<b>16,386</b>	<b>19,780</b>	<b>20.7</b>
Other income	226	273	233	287	310	7.9	37.1	596	831	39.3	73	869	1,140	31.1
<b>Total income</b>	<b>4,448</b>	<b>4,801</b>	<b>4,783</b>	<b>5,132</b>	<b>5,421</b>	<b>5.6</b>	<b>21.9</b>	<b>12,455</b>	<b>15,336</b>	<b>23.1</b>	<b>73</b>	<b>17,255</b>	<b>20,920</b>	<b>21.2</b>
Operating expenses	(2,008)	(2,152)	(2,352)	(2,463)	(2,570)	4.3	28.0	(5,917)	(7,385)	24.8	74	(8,069)	(10,042)	24.4
Pre-provision operating profit	2,440	2,649	2,431	2,669	2,851	6.8	16.8	6,537	7,951	21.6	73	9,187	10,878	18.4
Expected credit losses	(959)	(781)	(954)	(1,017)	(1,090)	7.2	13.7	(1,652)	(3,061)	85.2	75	(2,433)	(4,106)	68.7
Profit after ECL	1,481	1,868	1,477	1,653	1,761	6.6	18.9	4,885	4,890	0.1	72	6,753	6,773	0.3
Gain (loss) from car repossessed	35	(493)	(112)	(183)	(250)	36.5	n/a	79	(545)	n/a	68	(394)	(800)	103.2
Operating profit	1,517	1,375	1,365	1,469	1,511	2.8	(0.4)	4,985	4,345	(12.8)	73	6,360	5,973	(6.1)
Income tax	(312)	(243)	(295)	(269)	(277)	2.6	(11.3)	(1,023)	(841)	(17.8)	70	(1,267)	(1,195)	(5.7)
<b>Net profit</b>	<b>1,205</b>	<b>1,132</b>	<b>1,070</b>	<b>1,200</b>	<b>1,234</b>	<b>2.9</b>	<b>2.4</b>	<b>3,961</b>	<b>3,505</b>	<b>(11.5)</b>	<b>73</b>	<b>5,093</b>	<b>4,778</b>	<b>(6.2)</b>
EPS (THB)	0.57	0.53	0.50	0.57	0.58	2.9	2.4	1.87	1.65	(11.5)	73	2.40	2.25	(6.2)
NPL	2,611	3,507	3,992	4,470	4,800	7.4	83.8	2,611	4,800	83.8		3,506	4,948	
Loans	113,231	119,084	124,200	131,257	138,044	5.2	21.9	113,231	138,044	21.9		117,073	141,483	21.9
Interest bearing debt	93,232	96,143	98,536	106,327	111,994	5.3	20.1	86,946	111,994	28.8		96,143	116,110	20.8
<b>Key ratios</b>	<b>3Q22</b>	<b>4Q22</b>	<b>1Q23</b>	<b>2Q23</b>	<b>3Q23E</b>			<b>9M22</b>	<b>9M23E</b>			<b>2022</b>	<b>2023E</b>	
	(%)	(%)	(%)	(%)	(%)			(%)	(%)			(%)	(%)	
Yield on loan	18.08	18.38	17.75	18.02	18.18			18.75	18.33			18.54	18.42	
Cost of funds	3.27	3.42	3.48	3.55	3.70			3.34	3.59			3.36	3.80	
Spread	14.81	14.96	14.26	14.47	14.48			15.25	14.77			15.18	14.62	
Cost to Income ratio	45.14	44.82	49.18	47.99	47.41			47.51	48.15			46.76	48.00	
Credit cost incl. gain (loss) from car repossessed	3.37	4.39	3.50	3.76	3.98			2.10	3.83			2.73	3.79	
NPL / Loan	2.33	3.00	3.28	3.48	3.48			2.33	3.48			3.00	3.50	
LLR / Loan	2.38	3.15	3.44	3.66	3.75			2.38	3.15			3.15	3.67	
Coverage ratio	102.29	105.11	105.00	105.15	105.26			102.29	105.11			105.11	105.04	
D/E (x)	3.40	3.40	3.37	3.71	3.75			3.40	3.75			3.40	3.75	
IBD/E (x)	3.33	3.30	3.27	3.62	3.66			3.33	3.66			3.30	3.63	
S/T debt/total debt (x)	7.61	8.26	4.94	5.29	4.46			7.61	4.46			8.26	4.74	
Loan growth q-q	6.7	5.2	4.3	5.7	5.2									
Loan growth y-y	35.7	32.2	27.5	23.6	21.9			35.7	21.9				21.9	
Loan growth YTD	25.7	32.2	4.3	10.2	15.9			25.7	15.9					

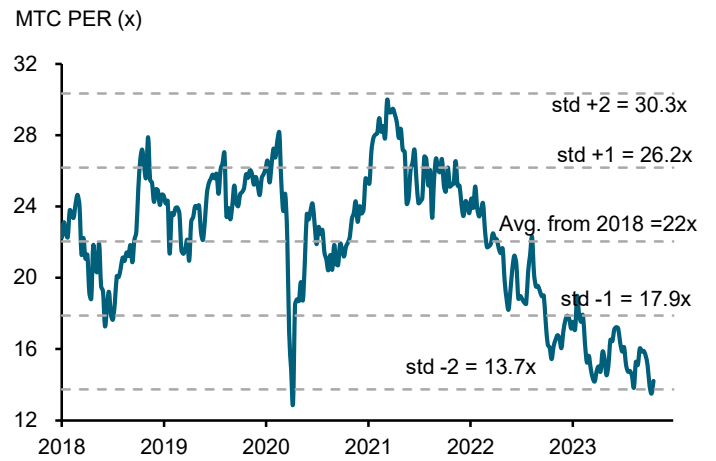
Sources: MTC; FSSIA estimates

**Exhibit 4: MTC – one-year prospective P/BV band**



Sources: Bloomberg; FSSIA estimates

**Exhibit 5: MTC – one-year prospective PER band**



Sources: Bloomberg; FSSIA estimates

## Financial Statements

### Muangthai Capital

Profit and Loss (THB m) Year Ending Dec	2021	2022	2023E	2024E	2025E
Interest Income	15,195	19,199	23,813	28,924	34,884
Interest expense	(2,127)	(2,813)	(4,033)	(5,025)	(6,208)
Net interest income	13,068	16,386	19,780	23,899	28,676
Net fees & commission	769	792	1,020	1,061	1,103
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	20	0	0	0	0
Other income	55	78	120	150	180
Non interest income	843	869	1,140	1,211	1,283
Total income	13,911	17,255	20,920	25,109	29,959
Staff costs	(6,961)	(8,069)	(10,042)	(12,053)	(14,380)
Other operating costs	-	-	-	-	-
Operating costs	(6,961)	(8,069)	(10,042)	(12,053)	(14,380)
Pre provision operating profit	6,949	9,187	10,878	13,057	15,579
Expected credit loss	(748)	(2,433)	(4,106)	(4,494)	(4,622)
Other provisions	-	(394)	(800)	(900)	(1,000)
Operating profit	6,201	6,360	5,973	7,662	9,957
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	5,973	7,662	9,957
Tax	(1,257)	(1,267)	(1,195)	(1,532)	(1,991)
Profit after tax	4,945	5,093	4,778	6,130	7,965
Non-controlling interest	-	-	-	-	-
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	4,945	5,093	4,778	6,130	7,965
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	4,945	5,093	4,778	6,130	7,965
<b>Per share (THB)</b>					
Recurring EPS *	2.33	2.40	2.25	2.89	3.76
Reported EPS	2.33	2.40	2.25	2.89	3.76
DPS	0.37	0.95	0.34	0.43	0.56
<b>Growth</b>					
Net interest income (%)	8.0	25.4	20.7	20.8	20.0
Non interest income (%)	4.4	3.1	31.1	6.2	6.0
Pre provision operating profit (%)	2.8	32.2	18.4	20.0	19.3
Operating profit (%)	(4.2)	2.6	(6.1)	28.3	29.9
Reported net profit (%)	(4.3)	3.0	(6.2)	28.3	29.9
Recurring EPS (%)	(4.3)	3.0	(6.2)	28.3	29.9
Reported EPS (%)	(4.3)	3.0	(6.2)	28.3	29.9
<b>Income Breakdown</b>					
Net interest income (%)	93.9	95.0	94.6	95.2	95.7
Net fees & commission (%)	5.5	4.6	4.9	4.2	3.7
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.1	-	-	-	-
Other income (%)	0.4	0.5	0.6	0.6	0.6
<b>Operating performance</b>					
Gross interest yield (%)	19.02	18.54	18.42	18.66	18.87
Cost of funds (%)	3.38	3.36	3.80	3.95	4.10
Net interest spread (%)	15.64	15.18	14.62	14.71	14.77
Net interest margin (%)	16.4	15.8	15.3	15.4	15.5
Cost/income(%)	50.0	46.8	48.0	48.0	48.0
Cost/assets(%)	7.9	7.1	7.2	7.3	7.3
Effective tax rate (%)	20.3	19.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	15.9	39.5	15.0	15.0	15.0
ROE (%)	21.7	18.9	15.6	17.7	19.5
ROE - COE (%)	10.9	8.1	4.8	6.9	8.7
ROA (%)	5.6	4.5	3.4	3.7	4.0
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	145,112	172,743	206,305
Allowance for expected credit loss	(1,832)	(3,686)	(5,198)	(6,237)	(7,485)
interest in suspense	1,200	1,675	2,020	2,423	2,908
<b>Net customer loans</b>	<b>90,069</b>	<b>117,073</b>	<b>141,483</b>	<b>168,480</b>	<b>201,270</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	0	0	0	0	0
Cash & equivalents	1,306	3,213	1,458	1,628	1,524
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	6,568	7,459	8,501
<b>Total assets</b>	<b>98,390</b>	<b>128,066</b>	<b>151,751</b>	<b>180,032</b>	<b>214,006</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	71,325	96,143	116,110	138,340	164,502
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>119,773</b>	<b>142,640</b>	<b>169,569</b>
Share capital	2,120	2,120	2,120	2,120	2,120
Reserves	22,749	26,971	29,858	35,271	42,317
<b>Total equity</b>	<b>24,869</b>	<b>29,091</b>	<b>31,978</b>	<b>37,391</b>	<b>44,437</b>
Non-controlling interest	-	-	-	-	-
<b>Total liabilities &amp; equity</b>	<b>98,390</b>	<b>128,066</b>	<b>151,751</b>	<b>180,032</b>	<b>214,006</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	79,897	103,571	129,278	154,982	184,875
Average interest bearing liabilities	62,931	83,734	106,127	127,225	151,421
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	4,948	5,938	7,126
<b>Per share (THB)</b>					
Book value per share	11.73	13.72	15.08	17.64	20.96
Tangible book value per share	11.73	13.72	15.08	17.64	20.96
<b>Growth</b>					
Gross customer loans	29.4	31.3	21.9	19.0	19.4
Average interest earning assets	24.4	29.6	24.8	19.9	19.3
Total asset (%)	27.4	30.2	18.5	18.6	18.9
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	25.3	22.7	21.1	20.8	20.8
Tangible equity/assets (%)	25.3	22.7	21.1	20.8	20.8
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality (FSSIA's calculation)</b>					
Change in NPL (%)	70.8	174.8	41.1	20.0	20.0
NPL/gross loans (%)	1.4	2.9	3.5	3.5	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) *	15.4	15.0	16.0	12.5	9.6
Recurring P/E @ target price (x) *	18.9	18.3	19.5	15.2	11.7
Reported P/E (x)	15.4	15.0	16.0	12.5	9.6
Dividend yield (%)	1.0	2.6	0.9	1.2	1.6
Price/book (x)	3.1	2.6	2.4	2.0	1.7
Price/tangible book (x)	3.1	2.6	2.4	2.0	1.7
Price/tangible book @ target price (x)	3.8	3.2	2.9	2.5	2.1

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

Sources: Muangthai Capital; FSSIA estimates



# MUANGTHAI CAPITAL PCL (MTC TB)

**FSSIA ESG rating**

★ ★ ★ ★

**68.21 /100**

## Exhibit 6: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	<b>&gt;59-79</b>	<b>A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.</b>
★★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

## Exhibit 7: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings						--- Bloomberg ---	
	ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.2	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.1	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
AEONTS	33.86	--	--	--	4.00	3.00	--	Medium	40.10	BBB	--	27.64	17.00	--	--
BAM	55.19	--	Y	Y	5.00	4.00	Certified	Medium	47.11	B	--	49.29	14.00	2.88	51.77
JMT	35.60	--	--	--	4.00	5.00	Declared	Medium	--	BBB	--	12.70	13.00	--	39.90
KTC	71.80	--	Y	Y	5.00	5.00	Certified	Low	57.22	A	--	64.48	59.00	4.96	57.09
MTC	68.21	--	Y	Y	5.00	5.00	Certified	Low	42.19	AA	--	58.09	42.00	3.31	--

Sources: [SETTRADE.com](http://SETTRADE.com); FSSIA's compilation

## Exhibit 8: ESG score by Bloomberg

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores								
BESG ESG score	1.36	1.51	2.07	2.16	2.39	4.00	3.27	—
BESG environmental pillar score	0.00	0.00	0.00	0.00	0.12	0.02	0.03	—
BESG social pillar score	0.37	0.58	1.37	1.37	1.69	4.57	3.27	—
BESG governance pillar score	4.42	4.41	4.57	4.91	4.95	4.95	4.82	—
ESG disclosure score								
Environmental disclosure score	0.00	0.00	0.00	0.33	7.28	15.22	32.74	—
Social disclosure score	11.67	15.84	17.41	25.70	30.35	31.92	30.35	—
Governance disclosure score	68.72	80.52	81.10	81.10	81.10	87.36	87.36	—
Environmental								
Emissions reduction initiatives	No	No	No	No	No	No	No	No
Climate change policy	No	No	No	No	Yes	Yes	Yes	Yes
Climate change opportunities discussed	No	No	No	No	No	No	No	No
Risks of climate change discussed	No	No	No	Yes	Yes	Yes	Yes	Yes
GHG scope 2 location-based	—	—	—	—	—	16	18	21
Biodiversity policy	No	No	No	No	No	No	No	No
Energy efficiency policy	No	No	No	No	Yes	Yes	Yes	Yes
Waste reduction policy	No	No	No	No	Yes	Yes	Yes	Yes
Environmental supply chain management	No	No	No	No	No	No	Yes	Yes
Water policy	No	No	No	No	Yes	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation



**Exhibit 9: ESG score by Bloomberg (cont.)**

FY ending Dec 31	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
BESG ESG score	1.36	1.51	2.07	2.16	2.39	4.00	3.27	—
ESG disclosure score	26.85	32.18	32.89	35.76	39.62	44.88	50.20	—
<b>Social</b>								
Human rights policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Policy against child labor	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Quality assurance and recall policy	No	No	No	No	No	No	No	No
Consumer data protection policy	No	No	No	No	Yes	Yes	Yes	Yes
Community spending	—	0	0	0	6	5	2	4
No. of customer complaints	—	—	—	—	—	—	—	—
Equal opportunity policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Pct women in workforce	—	—	—	—	—	11	11	10
Business ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Health and safety policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fatalities - employees	—	—	—	—	0	0	0	0
Training policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Fair remuneration policy	No	No	No	No	No	No	No	No
No. of employees - CSR	2,617	4,185	5,893	7,660	9,576	10,328	11,460	13,005
Employee turnover pct	—	—	—	—	—	—	—	29
Total hours by firm - employee training	—	—	—	70,395	60,328	34,082	34,036	78,030
Social supply chain management	No	No	No	No	No	No	No	Yes
<b>Governance</b>								
Board size	7	7	7	7	8	8	7	7
No. of independent directors (ID)	5	5	5	5	5	5	4	4
No. of women on board	2	2	3	3	3	3	3	3
No. of non-executive directors on board	5	5	5	5	6	6	5	5
Company conducts board evaluations	No	No	Yes	Yes	Yes	Yes	Yes	Yes
No. of board meetings for the year	6	5	7	7	6	9	8	8
Board meeting attendance pct	100	100	96	100	94	96	100	100
Board duration (years)	3	3	3	3	3	3	3	3
Director share ownership guidelines	No	No	No	No	No	No	No	No
Age of the youngest director	56	57	58	59	36	39	40	41
Age of the oldest director	67	68	69	70	71	72	73	74
No. of executives / company managers	12	12	12	13	13	12	13	13
No. of female executives	3	3	3	3	3	3	3	3
Executive share ownership guidelines	No	No	No	No	No	No	No	No
Size of audit committee	3	3	3	3	3	3	3	3
No. of ID on audit committee	3	3	3	3	3	3	3	3
Audit committee meetings	4	4	4	4	4	4	4	7
Audit meeting attendance %	100	100	92	100	92	100	100	100
Size of compensation committee	3	3	3	3	3	3	3	3
No. of ID on compensation committee	3	3	3	3	3	3	2	2
No. of compensation committee meetings	—	1	2	2	2	2	3	2
Compensation meeting attendance %	—	100	83	100	83	83	100	100
Size of nomination committee	3	3	3	3	3	3	3	3
No. of nomination committee meetings	—	1	2	2	2	2	1	2
Nomination meeting attendance %	—	100	83	100	83	83	100	100
<b>Sustainability governance</b>								
Verification type	No	No	No	No	No	Yes	Yes	Yes

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																												
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																												
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for <b>THSI inclusion</b> , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. <b>SETTHSI Index</b> is extended from the THSI companies whose 1) market capitalization > 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.																												
<b>CG Score</b> by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																												
<b>AGM level</b> By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&amp;A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																												
<b>Thai CAC</b> By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																												
<b>Morningstar Sustainalytics</b>	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality &amp; peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+																		
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0-10	10-20	20-30	30-40	40+																										
<b>ESG Book</b>	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																												
<b>MSCI</b>	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td><b>AAA</b></td> <td>8.571-10.000</td> <td><b>Leader:</b></td> <td>leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td><b>AA</b></td> <td>7.143-8.570</td> <td></td> <td></td> </tr> <tr> <td><b>A</b></td> <td>5.714-7.142</td> <td></td> <td></td> </tr> <tr> <td><b>BBB</b></td> <td>4.286-5.713</td> <td><b>Average:</b></td> <td>a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td><b>BB</b></td> <td>2.857-4.285</td> <td></td> <td></td> </tr> <tr> <td><b>B</b></td> <td>1.429-2.856</td> <td></td> <td></td> </tr> <tr> <td><b>CCC</b></td> <td>0.000-1.428</td> <td><b>Laggard:</b></td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	<b>AAA</b>	8.571-10.000	<b>Leader:</b>	leading its industry in managing the most significant ESG risks and opportunities	<b>AA</b>	7.143-8.570			<b>A</b>	5.714-7.142			<b>BBB</b>	4.286-5.713	<b>Average:</b>	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	<b>BB</b>	2.857-4.285			<b>B</b>	1.429-2.856			<b>CCC</b>	0.000-1.428	<b>Laggard:</b>	lagging its industry based on its high exposure and failure to manage significant ESG risks	
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<b>Moody's ESG solutions</b>	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																													
<b>Refinitiv ESG rating</b>	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;75 to 100 = excellent.)</i>																													
<b>S&amp;P Global</b>	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																													
<b>Bloomberg</b>	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																												
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																												

Source: FSSIA's compilation

**GENERAL DISCLAIMER**

**ANALYST(S) CERTIFICATION**

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

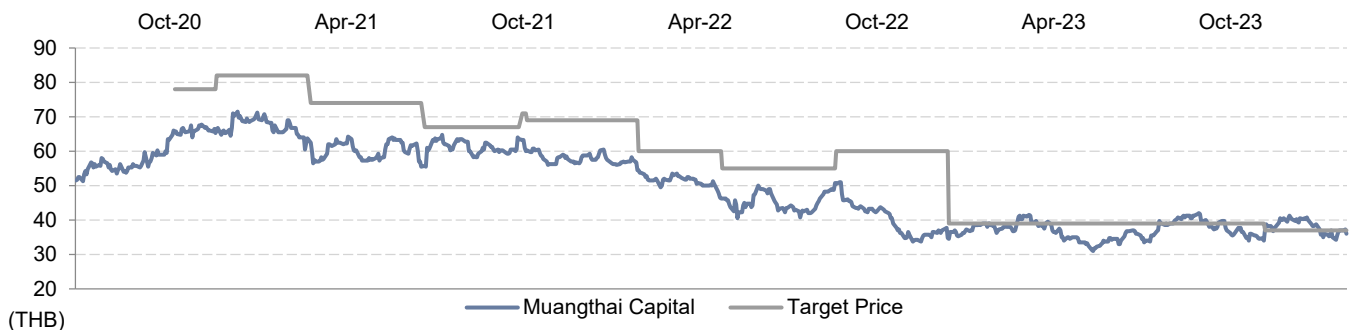
The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) 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
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
13-Aug-2021	BUY	67.00	28-Apr-2022	BUY	55.00			

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 36.00	BUY	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.

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.

All share prices are as at market close on 18-Oct-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.