

Muangthai Capital Pcl (MTC TB) - BUY

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News Update

A 1% interest rate hike of motorcycle-backed loans

- Effective interest charge is rising from 15% to 16% pa.
- This will be effective from 17th August 2021.
- Motorcycle-backed loans make up 33% of total.
- We see upside to our earnings forecast in 2022F.

MTC has announced to increase interest rate of motorcycle-backed loans from 0.63% flat rate per month to 0.65%. This implies an increase in effective interest charge for motorcycle-backed loans from 15% to 16% pa.

- The hike will be applied for new loans. Existing lending contracts will be charged on higher loans when the loans are being rolled over of which the run rate is c.80%.
- Given around 50% of motorcycle-backed loans are still on old contracts of higher interest charge of 18%, the increase this time would also lower impact of yield reduction on these loans too.
- The hike is faster-than-expected and this has yet been factored in our numbers.
- Motorcycle-backed loans stood at 33% of total net loans of Bt78.3bn in 2Q21, or at Bt25.9bn. We forecast an increase of motorcycle-backed loans to Bt30.6bn in 2021 and rising to Bt39.7bn in 2022. Assume averages loans of Bt35bn are rolled over at higher going to 2022, a 1% increase in interest rate will add additional interest income of Bt350m or Bt280m. This would boost our profits forecast by 3.6% of in 2022F.
- We remain of a view for MTC's bottoming yield, market share gains and look for very strong 3-yr EPS CAGR of 31%.
- The stock had a good run yesterday. Even so, PE remains attractive at 17x in 2022F. There are over 30% upsides to our Bt80 TP.

Key valuation

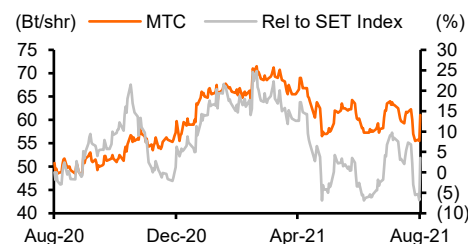
Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Pre Provision Profit	6,771	7,583	10,720	14,019
Net profit	5,214	5,544	7,719	10,153
Norm profit	5,214	5,544	7,719	10,153
Norm EPS (Bt)	2.5	2.6	3.6	4.8
Norm EPS grw (%)	23.0	6.3	39.2	31.5
Norm PE (x)	24.8	23.3	16.8	12.7
P/BV (x)	6.3	5.1	4.0	3.2
Div yield (%)	0.6	0.6	0.9	1.2
ROE (%)	28.4	24.0	26.7	27.8
ROA (%)	7.5	6.3	6.8	7.2

Source: Thanachart estimates

Stock Data

Closing price (Bt)	61.00
Target price (Bt)	80.00
Market cap (US\$ m)	3,884
Avg daily turnover (US\$ m)	17.01
12M H/L price (Bt)	71.50/48.00

Price Performance



Source: Bloomberg

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