Krungthai Card Pcl (KTC TB) - SELL, Price Bt55.75, TP Bt56

Results Comment

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Weak profits, below expectation

- KTC's 3Q21 profits were weaker than expected, despite lower provisions. 9M21 profits made up 69% of our full-year forecast. Although we expect higher profits in 4Q21, we see downsides to our numbers and re-iterate SELL.
- In light of lockdown impacted, credit card spending fell 12% y-y in 3Q21 and 2% in 9M21. This along with falling lending yield on lower capped interest rate, total income dropped 7% y-y and 5% q-q.
- Loans contracted 3% q-q and 4% YTD. The contractions were seen across credit card and personal loans.
- With aggressive write-off, NPL came down 15% q-q to 3.8% of loans. The recently acquired leasing port reported falling NPL ratio of 46% from 52% in 2Q21. NPL of personal loans rose to 3.2% from 3% in 2Q21.
- Having built some buffer over past years, KTC lowered provisions 25% y-y but raised it 13% q-q to cushion the lockdown impact. As of September 2021, 2% of KTC loans are in the relief program.
- Opex were flat y-y as rising personnel expenses were offset by falling marketing expenses. But with lower revenues, cost to income ratio rose to 36% from 33% in 2Q21.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Interest income	2,685	2,550	2,609	2,690	2,660
Interest expense	390	364	364	359	345
Net interest income	**2,295**	**2,185**	**2,245**	**2,331**	**2,315**
Non-interest income	2,836	2,815	2,710	2,716	2,471
Total income	5,131	5,000	4,956	5,047	4,786
Operating expense	1,850	1,915	1,713	1,775	1,847
Pre-provisioning profit	**3,281**	**3,085**	**3,243**	**3,271**	**2,939**
Provision for bad&doubtful debt	1,728	1,475	1,204	1,144	1,293
Profit before tax	1,554	1,610	2,039	2,128	1,646
Tax	315	314	408	428	337
Profit after tax	1,239	1,296	1,631	1,700	1,309
Equity income	-	1	2	3	4
Minority interests	(17)	25	0	(23)	4
Extra items	-	-	-	-	-
Net profit	**1,221**	**1,321**	**1,634**	**1,680**	**1,317**
Normalized profit	**1,221**	**1,321**	**1,634**	**1,680**	**1,317**
PPP/share (Bt)	1.3	1.2	1.3	1.3	1.1
EPS (Bt)	0.5	0.5	0.6	0.7	0.5
Norm EPS (Bt)	0.5	0.5	0.6	0.7	0.5
BV/share (Bt)	8.3	8.8	9.5	9.4	9.9

Income Statement			9M as		
(Bt m)	q-q%	y-y%	% 2021F	2021F	2022F
Interest & dividend income	(1)	(1)	59	13,567	14,189
Interest expense	(4)	(12)	72	1,474	1,444
Net interest income	**(1)**	**1**	**57**	**12,093**	**12,745**
Non-interest income	(9)	(13)	91	8,668	9,369
Total income	(5)	(7)	71	20,761	22,113
Operating expense	4	(0)	77	6,899	7,004
Pre-provisioning profit	**(10)**	**(10)**	**68**	**13,862**	**15,109**
Provision for bad&doubtful debt	13	(25)	66	5,525	5,635
Profit before tax	(23)	6	70	8,336	9,474
Tax	(21)	7	70	1,667	1,895
Profit after tax	(23)	6	70	6,669	7,579
Equity income				-	-
Minority interests				-	-
Extra items					
Net profit	**(22)**	**8**	**69**	**6,669**	**7,579**
Normalized profit	**(22)**	**8**	**69**	**6,669**	**7,579**
PPP/share (Bt)	(10)	(10)	71	5.1	5.4
EPS (Bt)	(22)	8	87	2.1	2.6
Norm EPS (Bt)	(22)	8	87	2.1	2.6
BV/share (Bt)	5	19	10	8.8	10.5

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	3Q20	4Q20	1Q21	2Q21	3Q21
Cash and cash equivalent	3,205	2,197	1,183	1,349	1,448
Other current assets	235	486	302	262	240
Total current assets	3,440	2,684	1,485	1,610	1,688
Gross loans and accrued interest	84,347	90,149	86,854	89,444	87,030
Provisions	7,031	6,313	7,337	10,767	10,014
Net loans	77,316	83,836	79,517	78,677	77,016
Fixed assets	395	496	436	440	401
Other assets	2,537	4,579	2,651	4,182	4,185
Total assets	**83,687**	**91,594**	**84,089**	**84,909**	**83,290**
S-T liabilities	-	-	-	-	-
S-T loans from banks + Current pc	20,578	24,519	14,160	18,690	14,620
L-T loans - net current portion	-	-	-	-	-
L-T Debenture	35,330	34,700	38,781	34,791	34,502
Total Borrowings	55,908	59,219	52,941	53,481	49,122
Other liabilities	6,302	8,263	6,664	6,827	8,254
Minority interest	27	1,313	51	376	372
Shareholders' equity	**21,450**	**22,799**	**24,433**	**24,225**	**25,541**
Total Liabilities & Equity	**83,687**	**91,594**	**84,089**	**84,909**	**83,290**

Financial Ratios					
(%)	3Q20	4Q20	1Q21	2Q21	3Q21
Gross loan growth (YTD)	(2.4)	4.3	(3.7)	(0.8)	(3.5)
Gross loan growth (q-q)	1.0	6.9	(3.7)	3.0	(2.7)
Borrowing growth (YTD)	(2.8)	2.9	(10.6)	(9.7)	(17.1)
Borrowing growth (q-q)	6.7	5.9	(10.6)	1.0	(8.2)
Non-interest income (y-y)	15.7	3.9	5.4	5.5	0.9
Non-interest income (q-q)	3.8	(4.8)	2.7	3.8	(0.7)
Cost-to-income	33.5	35.7	32.2	32.8	36.0
Net interest margin	11.3	10.0	10.2	11.0	11.0
Credit cost	8.2	6.5	5.5	5.1	5.9
ROA	6.0	6.0	7.4	8.0	6.3
ROE	23.4	23.9	27.7	27.6	21.2
Loan-to-borrowing	138.3	141.6	150.2	147.1	156.8
Loan-to- total equity	360.4	367.7	325.5	324.8	301.5
NPLs (Btm)	1,555	1,598	1,661	3,879	3,295
NPL increase	(3,960)	43	63	2,218	(584)
NPL ratio (%)	1.9	1.8	1.9	4.4	3.8
Loan loss coverage ratio (%)	452.1	395.0	441.7	277.6	303.9

Sources: Company data, Thanachart estimates

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