

BUY (Unchanged)

Change in Numbers

TP: Bt 73.00

(From: Bt 80.00)

4 OCTOBER 2021**Upside : 21.7%**

Muangthai Capital Pcl (MTC TB)

Cushioning the blow

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MTC is a highly focused non-bank and has established a very strong footing in the grassroots title-loan segment. This should cushion the growing institutional player blow and we see MTC's robust growth story being safe for five years. We maintain our BUY call but cut our TP to Bt73 to reflect slower loan growth over the longer term.

Solid grassroots footing

MTC's share price has fallen by 7% from the September peak of Bt64.5 on concerns over Siam Commercial Bank's (SCB TB, Bt124, BUY) move to set up a non-bank subsidiary offering title-loan services. We see the concern as valid but expect the threat to MTC's growth and profitability to be in the longer term, say post-2026F. 1) MTC is the largest player, focusing on the low-end segment. With c.3m customers (90% in the agricultural sector), MTC's market is at the grassroots level, an area where banks have never been exposed to. 2) With over 30 years' experience, MTC has established strong local connections and franchise value. 3) Despite having the largest branch network, MTC sees room to add another 3,000 branches to cover all 8,000 subdistricts in five years. 4) The title-loan segment remains under-penetrated and we foresee double-digit volume growth for at least five years.

Limited flooding risk

Highly exposed to the agricultural sector, uncontrollable external risks for MTC are flooding and drought. Storm Dianmu has caused 18 provinces in the North, Northeast and Central Plains to flood, with 10 still facing rising flood levels. MTC does not expect the current flooding to turn into a crisis like what happened in 2011 due to much lower water levels in reservoirs. Meanwhile, affected farmers are eligible to receive subsidies from the government of up to 30 rai per household. Therefore, MTC is confident it can contain NPLs at less than 1.2% of total loans.

Growth outlook

Net new loans were very strong at Bt2bn/month in July and August. The run rate softened in September due to heavy rains in 1H and flooding in the 2H of the month. We expect loan growth of 28% y-y in 3Q21 and forecast net profits of Bt1.4bn, increasing by 4.5% y-y and 10% q-q. The slower growth in profit than loans is due to the narrowing spread on the leftover impact of interest rate cuts. There is no change to our view that 2021 is a transition year for MTC with our forecast for earnings growth of just 7%. Given our expectation of bottoming yield and NIM in 4Q21F and MTC's loan growth of 30% in 2022F, 19/16% in 2023-24F and scale benefits, MTC's profit growth should accelerate from 1Q22F and we project a three-year EPS CAGR of 31% over 2021-24F.

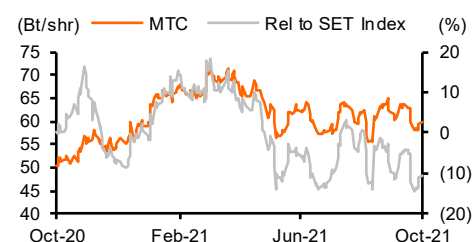
BUY with a lower TP of Bt73

As we expect SCB's X factors to pose threats to MTC after five years, we trim our loan growth and profit forecasts from 2027F onwards. This leads to a cut in our DDM-based 12-month TP, using a 2022F base year, to Bt73/share from Bt80. Our new TP implies a 20x PE multiple on 2022F earnings. Maintain BUY call.

COMPANY 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
Consensus NP	—	5,541	6,767	8,406
Diff frm cons (%)	—	0.0	14.1	20.8
Norm profit	5,214	5,544	7,719	10,153
Prev. Norm profit	—	5,544	7,719	10,153
Chg frm prev (%)	—	0.0	0.0	0.0
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)	24.4	22.9	16.5	12.5
P/BV (x)	6.2	5.0	3.9	3.1
Div yield (%)	0.6	0.7	0.9	1.2
ROE (%)	28.4	24.0	26.7	27.8
ROA (%)	7.5	6.3	6.8	7.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 4-Oct-21 (Bt)	60.00
Market Cap (US\$ m)	3,764.4
Listed Shares (m shares)	2,120.0
Free Float (%)	32.1
Avg Daily Turnover (US\$ m)	16.5
12M Price H/L (Bt)	71.50/50.25
Sector	Finance
Major Shareholder	Petaumpai Family 67.45%

Sources: Bloomberg, Company data, Thanachart estimates



We lower our long-term loan-growth assumption and TP to Bt73

Ex 1: Earnings Revisions

	2026F	2027F	2028F	2029F	2030F
Net profits (Bt bn)					
- New	16.99	19.26	21.29	23.27	25.85
- Old	16.99	19.55	22.53	25.96	29.87
- Change (%)	—	(1.50)	(5.51)	(10.36)	(13.46)
Total loans (Bt bn)					
- New	13.23	11.83	10.50	10.74	11.00
- Old	13.23	13.37	13.50	13.63	13.76
- Change (%)	—	(11.50)	(22.24)	(21.18)	(20.06)
Lending yield (%)					
- New	19.07	19.11	19.11	19.11	19.22
- Old	19.07	19.14	19.21	19.29	19.37
- Change (pp)	—	(0.03)	(0.10)	(0.18)	(0.15)

Source: Thanachart estimates

Ex 2: 12-month DDM-based Valuation Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	Terminal value
Dividend of common shares	1,158	1,523	1,855	7,325	10,195	13,479	14,906	16,288	24,555	27,496	27,496
Dividend of preferred shares	—	—	—	—	—	—	—	—	—	—	—
Dividend payment	1,158	1,523	1,855	7,325	10,195	13,479	14,906	16,288	24,555	27,496	295,216
Risk-free rate (%)	2.5										
Market risk premium (%)	8.0										
Beta	1.0										
WACC (%)	10.7										
Cost of equity	10.7										
Terminal growth (%)	2.0										
Equity value	154,283										
No. of shares (m)	2,120										
Equity value / share (Bt)	73.00										

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 3: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		PE		P/BV		ROE		Div. yield	
			21F	22F	21F	22F	21F	22F	21F	22F	21F	22F
Afterpay Ltd	APT AU	Australia	na	na	na	na	17.8	27.1	(1.9)	(1.8)	0.0	0.0
Finvolution Group	FINV US	China	506.3	4.8	0.7	0.7	0.2	0.1	24.8	21.8	9.3	10.9
Mahindra & Mahindra Fin Secs	MMFS IN	India	4.6	28.0	25.8	20.2	1.5	1.4	5.2	6.3	1.0	1.2
Bajaj Finance Ltd	BAF IN	India	3.1	57.0	101.5	64.6	12.8	10.8	13.1	17.6	0.1	0.2
Manappuram Finance Ltd	MGFL IN	India	0.2	6.6	8.9	8.4	2.1	1.8	26.4	22.6	1.6	1.8
GMO Payment Gateway Inc.	3769 JP	Japan	9.7	23.2	120.2	97.6	21.5	19.1	24.1	23.1	0.4	0.5
Infomart Corp.	2492 JP	Japan	(23.5)	81.3	304.0	167.7	20.4	18.8	7.6	12.3	0.1	0.3
Ally Financial Inc	ALLY US	US	184.6	(15.3)	6.3	7.5	1.1	1.0	19.7	14.7	1.7	2.0
World Acceptance Corp	WRLD US	US	(16.2)	(1.8)	17.3	17.6	3.6	3.6	18.7	15.9	na	na
Navient Corp	NAVI US	US	100.0	(26.3)	4.5	6.1	1.1	1.0	26.6	19.1	3.3	3.3
SLM Corp	SLM US	US	42.9	(18.5)	5.5	6.7	2.7	2.7	47.4	35.4	0.7	0.7
Amanah Leasing	AMANA TH	Thailand	13.2	19.9	15.9	13.3	3.0	2.6	19.7	21.1	2.9	3.4
Krungthai Card *	KTC TH	Thailand	25.0	13.7	21.4	18.8	5.2	4.5	26.7	25.7	2.1	2.4
Muangthai Capital *	MTC TH	Thailand	6.3	39.2	22.9	16.5	5.0	3.9	24.0	26.7	0.7	0.9
Saksiam Leasing *	SAK TH	Thailand	(17.3)	34.2	28.5	21.3	3.6	3.2	13.0	16.0	1.4	1.9
Srisawad Corporation *	SAWAD TH	Thailand	10.2	16.1	16.9	14.6	3.5	3.2	21.7	23.0	3.1	3.4
Ratchthani Leasing *	THANI TH	Thailand	(14.9)	17.1	13.5	11.5	2.0	1.9	15.1	16.6	4.5	5.2
Ngern Tid Lor *	TIDLOR TH	Thailand	21.0	25.0	25.1	20.1	3.7	3.2	18.5	17.1	0.8	1.0
Average			52.1	17.4	44.6	30.8	6.3	6.3	19.5	18.6	2.1	2.4

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

Based on 4 Oct 2021 closing price

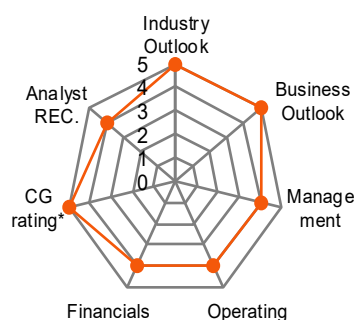
Thanachart Securities has an indirect financial interest in Ratchthani Leasing Pcl (THANI). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds more than 56% of the shareholding in Ratchthani Leasing Pcl (THANI).

COMPANY DESCRIPTION

Muangthai Capital Pcl (MTC), originally D.S. Leasing, was founded by Mr. Chuchart Petampai and Mrs. Daonapa Petampai in 1992. MTC started off as a motorcycle hire-purchase company in northern Thailand, and later expanded into the micro-financing business as a supplementary service to its customers. By 1998, MTC had shifted its focus to be a pure micro-financing firm. It operates as a commercial lending bank, offering collateral-backed auto loans and personal unsecured loan services, with the focus being motorcycle title loans.

Source: Thanachart

COMPANY RATING



Rating Scale

Excellent	5
Good	4
Fair	3
Weak	2
Very Weak	1
None	0

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Scale benefits.
- Well-recognized brand.
- Expertise and substantial experience in running its business.

O — Opportunity

- New lending products.
- Expanding into neighbouring countries.

W — Weakness

- Reliant on external funding.

T — Threat

- Changes in regulations.
- Increasing penetration by commercial banks.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	70.28	73.00	4%
Net profit 21F (Bt m)	5,541	5,544	0%
Net profit 22F (Bt m)	6,767	7,719	14%
Consensus REC	BUY: 16	HOLD: 5	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- We share the Bloomberg consensus view on 2021E profits.
- However, we believe our loan growth forecasts for MTC are higher over the medium term, leading to us having a higher DDM-based TP.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- Downside risk would emerge if MTC fails to grow its loan book by a large enough extent to offset declining yields.
- MTC not sustaining its robust loan growth while maintaining strong asset quality represents the key downside risk to our call.
- Increases in MTC's cost-to-income ratio and funding costs would present further downside risks to our earnings forecasts and TP.

Source: Thanachart

INCOME STATEMENT

Stronger loan growth to offset declining yield

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Interest Income	11,880	13,962	15,301	19,885	24,590
Interest Expenses	1,527	1,817	1,982	2,446	2,916
Net Interest Income	10,353	12,145	13,319	17,438	21,674
% of total income	92.8%	94.0%	93.7%	95.0%	95.7%
Fee income	723	726	857	857	900
% of total income	6.5%	5.6%	6.0%	4.7%	4.0%
Other income	85	45	43	55	68
% of total income	0.8%	0.3%	0.3%	0.3%	0.3%
Non-interest Income	808	771	900	912	968
% of total income	7.2%	6.0%	6.3%	5.0%	4.3%
Total Income	11,161	12,916	14,218	18,351	22,642
Operating Expenses	5,314	6,144	6,636	7,631	8,623
Pre-provisioning Profit	5,847	6,771	7,583	10,720	14,019
Bad debt expenses	554	255	653	1,071	1,327
Pre-tax Profit	5,293	6,516	6,930	9,649	12,692
Income Tax	1,056	1,303	1,386	1,930	2,538
After Tax Profit	4,237	5,214	5,544	7,719	10,153
Equity Income	0	0	0	0	0
Minority Interest	0	0	0	0	0
Extraordinary Items	0	0	0	0	0
NET PROFIT	4,237	5,214	5,544	7,719	10,153
Normalized Profit	4,237	5,214	5,544	7,719	10,153
EPS (Bt)	2.0	2.5	2.6	3.6	4.8
Normalized EPS (Bt)	2.0	2.5	2.6	3.6	4.8

BALANCE SHEET

Solid balance sheet, based on our forecasts

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Cash and ST investments	783	1,378	1,000	1,000	1,000
Other current assets	210	225	250	280	310
Total current assets	993	1,603	1,250	1,280	1,310
Gross loans & accr. interest	59,471	70,152	93,002	121,114	144,270
Provisions	1,715	1,328	1,613	2,084	2,698
Net loans	58,623	69,640	90,333	117,654	139,932
Fixed assets	1,778	1,928	1,921	5,329	5,939
Other assets	478	4,050	4,309	4,427	4,406
Total assets	61,872	77,222	97,812	128,690	151,587
Short term borrow ing	14,669	19,243	15,314	21,108	22,617
A/P & notes payables	891	1,075	1,175	1,275	1,375
Other current liabilities	752	1,633	5,829	14,507	16,578
Long term borrow ing	29,467	31,732	46,981	56,378	66,526
Total borrowings	44,136	50,975	62,295	77,486	89,143
Other L-T liabilities	121	2,858	2,993	3,214	3,526
Minority interest	0	0	0	0	0
Shareholders' equity	15,972	20,682	25,521	32,208	40,965
Total Liab. & Equity	61,872	77,222	97,812	128,690	151,587

Sources: Company data, Thanachart estimates

VALUATION

Attractive valuation, in our view

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	30.0	24.4	22.9	16.5	12.5
Normalized PE - at target price (x)	36.5	29.7	27.9	20.0	15.2
PE (x)	30.0	24.4	22.9	16.5	12.5
PE - at target price (x)	36.5	29.7	27.9	20.0	15.2
P/PPP (x)	21.8	18.8	16.8	11.9	9.1
P/PPP - at target price (x)	26.5	22.9	20.4	14.4	11.0
P/BV (x)	8.0	6.2	5.0	3.9	3.1
P/BV - at target price (x)	9.7	7.5	6.1	4.8	3.8
Dividend yield (%)	0.5	0.6	0.7	0.9	1.2
Normalized EPS (Bt)	2.0	2.5	2.6	3.6	4.8
EPS (Bt)	2.0	2.5	2.6	3.6	4.8
DPS (Bt)	0.3	0.4	0.4	0.5	0.7
PPP/Share (Bt)	2.8	3.2	3.6	5.1	6.6
BV/share (Bt)	7.5	9.8	12.0	15.2	19.3
P/BV to ROE (x)	0.3	0.2	0.2	0.1	0.1

FINANCIAL RATIOS

Normalizing NIM

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate (%)					
Net interest income (NII)	22.6	17.3	9.7	30.9	24.3
Non-interest income (Non-II)	(7.3)	(4.6)	16.7	1.4	6.1
Operating expenses	29.6	15.6	8.0	15.0	13.0
Pre-provisioning profit (PPP)	12.1	15.8	12.0	41.4	30.8
Net profit	14.1	23.0	6.3	39.2	31.5
Normalized profit growth	14.1	23.0	6.3	39.2	31.5
EPS	14.1	23.0	6.3	39.2	31.5
Normalized EPS	14.1	23.0	6.3	39.2	31.5
Dividend payout ratio	15.1	15.0	15.0	15.0	15.0
Loan - gross	25.9	18.0	32.6	30.2	19.1
Loan - net	25.9	18.8	29.7	30.2	18.9
Borrowings	7.4	8.8	50.3	20.8	18.0
NPLs	15.1	20.3	41.5	35.9	24.1
Total assets	25.9	24.8	26.7	31.6	17.8
Total equity	29.9	29.5	23.4	26.2	27.2
Operating Ratios (%)					
Net interest margin (NIM)	18.7	18.7	15.2	15.4	15.5
Net interest spread	18.8	17.9	15.6	15.6	15.6
Yield on earnings assets	21.9	21.2	18.8	18.8	18.7
Avg cost of fund	3.8	3.7	3.4	3.4	3.4
NII / operating income	92.8	94.0	93.7	95.0	95.7
Non-II / operating income	7.2	6.0	6.3	5.0	4.3
Fee Income / Opt Income	6.5	5.6	6.0	4.7	4.0
Norm Net Margin	38.0	40.4	39.0	42.1	44.8
Cost-to-income	47.6	47.6	46.7	41.6	38.1
Credit cost - provision exp / loans	1.0	0.4	0.8	1.0	1.0
PPP / total assets	10.5	9.7	8.7	9.5	10.0
PPP / total equity	41.4	36.9	32.8	37.1	38.3
Avg assets/avg equity (leverage)	3.9	3.8	3.8	3.9	3.8
ROA	7.6	7.5	6.3	6.8	7.2
ROE	30.0	28.4	24.0	26.7	27.8

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Liquidity and Quality Ratio (%)					
Gross Loan / Borrow ings	189.6	205.6	181.3	195.4	197.2
Net Loan / Borrow ings	186.9	204.1	176.1	189.8	191.3
Net Loan / Assets	94.7	90.2	92.4	91.4	92.3
Net Loan / Equity	367.0	336.7	354.0	365.3	341.6
S-T / L-T Borrow ings	6.0	7.0	8.4	9.0	9.0
Borrow ings / Liabilities	68.3	60.4	71.0	64.2	66.1
Interest-bearing Debt / Equity	281.9	251.7	248.7	244.5	221.0
Liabilities / Equity	287.4	273.4	283.3	299.6	270.0
Equity/ Gross loans	26.9	29.5	27.4	26.6	28.4
NPLs	621.5	747.4	1,057.4	1,436.9	1,782.9
NPLs / Total Loans (NPL Ratio)	1.0	1.1	1.1	1.2	1.2
Loan-Loss-Coverage (Provision / NPLs)	275.9	177.6	152.5	145.1	151.3

Asset quality looks manageable

Sources: Company data, Thanachart estimates

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