Muangthai Capital Pcl (MTC TB) - HOLD, Price Bt45.75, TP Bt57.00

Results Comment

Sarachada Sornsong | Email: sarachada.sor@thanachartsec.co.th

Strong recovery on provision cuts

- MTC's 1Q22 profits were stronger than our preliminary estimates of Bt1.23bn by 12% and this was due to lower provisions. PPOP was in-line (flat y-y and up 16% q-q).
- 1Q22 profit made up 24% of our full-year forecast. We keep our forecast as is but given 25% upside to our Bt57 TP, we put our HOLD call under review.
- Reasons for lower provisions were improving economic outlook after re-opening and MTC had built up good provisioning buffer in 2H21.
- A jump of NPLs by 28% q-q and 130% y-y was from motorcycle HP and less NPLs write-off and sales. We are concern of quality of motorcycle HP as NPLs jumped from 2.1% of total loans in 4Q21 to 4.8% in 1Q22. This was against portfolio growth of 36% q-q and 361% y-y.
- Quality of titled loans was stable with NPL ratio of 1.5% in 1Q22 versus 1.4% in 4Q21.
- Loan loss coverage ratio was down to 113% from 144% in 4Q21. MTC will speed up NPL resolutions and expects better NPL ratio and improving loans coverage ratio.
- Total loans grew strongly as expected at 8% q-q and 34% y-y. MTC opened 361 branches in the quarter, more than half of the full year target of 700 branches.
- Yield dipped to 18% from 18.6% in 4Q21. We expect yield to normalize at this level but with higher cost of funds in the going forward.
- Opex was up 31% y-y along with branch expansions. A 3% drop from 4Q21 was due to no extra expenses.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Interest income	3,585	3,684	3,844	4,082	4,285
Interest expense	477	507	557	587	604
Net interest income	**3,108**	**3,177**	**3,287**	**3,495**	**3,682**
Non-interest income	272	212	188	151	163
Total income	3,381	3,389	3,475	3,647	3,844
Operating expense	1,502	1,657	1,780	2,023	1,963
Pre-provisioning profit	**1,879**	**1,732**	**1,694**	**1,624**	**1,881**
Provision for bad&doubtful debt	145	137	189	256	149
Profit before tax	1,734	1,595	1,505	1,368	1,732
Tax	360	325	304	268	357
Profit after tax	1,374	1,270	1,201	1,100	1,376
Equity income	-	-	-	-	-
Minority interests	-	-	-	-	-
Extra items	-	-	-	-	-
Net profit	**1,374**	**1,270**	**1,201**	**1,100**	**1,376**
Normalized profit	**1,374**	**1,270**	**1,201**	**1,100**	**1,376**
PPP/share (Bt)	0.9	0.8	0.8	0.8	0.9
EPS (Bt)	0.6	0.6	0.6	0.5	0.6
Norm EPS (Bt)	0.6	0.6	0.6	0.5	0.6
BV/share (Bt)	10.4	10.6	11.2	11.7	12.4

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Interest & dividend income	5	20	22	19,051	24,763
Interest expense	3	27	22	2,710	3,785
Net interest income	**5**	**18**	**23**	**16,340**	**20,978**
Non-interest income	7	(40)	26	632	670
Total income	5	14	23	16,972	21,648
Operating expense	(3)	31	24	8,100	9,882
Pre-provisioning profit	**16**	**0**	**21**	**8,872**	**11,766**
Provision for bad&doubtful debt	(42)	2	9	1,578	2,185
Profit before tax	27	(0)	24	7,294	9,581
Tax	33	(1)	24	1,459	1,916
Profit after tax	25	0	24	5,835	7,665
Equity income	neg	neg		-	-
Minority interests	neg	neg		-	-
Extra items	neg	neg		-	-
Net profit	**25**	**0**	**24**	**5,835**	**7,665**
Normalized profit	**25**	**0**	**24**	**5,835**	**7,665**
PPP/share (Bt)	16	0	21	5.5	7.2
EPS (Bt)	25	0	24	3.6	4.6
Norm EPS (Bt)	25	0	24	3.6	4.6
BV/share (Bt)	6	19	12	17.2	21.1

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash and cash equivalent	984	1,327	1,521	1,306	1,652
Other current assets	414	487	431	397	425
Total current assets	1,398	1,813	1,952	1,703	2,077
Gross loans and accrued interest	73,546	79,831	84,952	91,812	98,612
Provisions	1,314	1,436	1,597	1,832	1,840
Net loans	72,232	78,394	83,354	89,981	96,773
Fixed assets	1,951	1,979	2,021	2,054	2,098
Other assets	4,162	4,384	4,571	4,652	4,863
Total assets	**79,742**	**86,570**	**91,898**	**98,390**	**105,811**
Short term borrowing	1,100	4,177	1,999	4,235	3,504
Current portion of LT loans	16,737	16,886	24,138	24,558	26,866
Other current liabilities	2,600	2,309	2,189	2,908	2,934
Total current liabilities	20,437	23,372	28,326	31,702	33,304
Borrowings	6,824	7,515	4,348	5,930	7,637
Other liabilities	30,423	33,139	35,478	35,890	38,626
Minority interest	-	-	-	-	-
Shareholders' equity	**22,058**	**22,545**	**23,747**	**24,869**	**26,244**
Total Liabilities & Equity	**79,742**	**86,570**	**91,898**	**98,390**	**105,811**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Gross loan growth (YTD)	4.4	14.1	21.5	31.6	7.8
Gross loan growth (q-q)	4.4	9.3	6.5	8.4	7.8
Borrowing growth (YTD)	2.0	13.2	20.5	30.0	8.2
Borrowing growth (q-q)	2.0	11.0	6.4	7.9	8.2
Non-interest income (y-y)	35.7	13.0	3.3	(24.7)	(40.2)
Non-interest income (q-q)	35.4	(22.1)	(11.4)	(19.4)	7.4
Cost-to-income	44.4	48.9	51.2	55.5	51.1
Net interest margin	15.8	15.3	14.7	14.69	14.42
Credit cost	0.79	0.69	0.89	1.11	0.60
ROE	25.7	22.8	20.8	18.1	21.5
ROA	7.0	6.1	5.4	4.6	5.4
Loan-to-borrowing	127.5	124.7	124.7	124.9	123.9
Loan-to- total equity	327.5	347.7	351.0	361.8	368.7
NPLs (Btm)	708.9	882.4	997.0	1,275.9	1,629.6
NPL increase	(38.5)	173.5	114.6	278.9	353.6
NPL ratio (%)	0.96	1.11	1.17	1.39	1.65
Loan loss coverage ratio (%)	185.4	162.8	160.2	143.6	112.9

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 65 Derivative Warrants which are AMAT16C2206A , AOT16C2206A , AWC16C2207A , BAM16C2206A , BAM16C2207A , BANP16C2205A , BANP16C2207A , BCH16C2207A , BEC16C2207A , BGRI16C2205A , BLA16C2208A, BLA16C2205A , CBG16C2205A , CBG16C2207A , CHG16C2207A , COM716C2208A, COM716C2205A , CPF16C2205A , DOHO16C2207A , EA16C2205A , EA16C2206A , EA16C2207A , GPSC16C2205A , GPSC16C2206A , GPSC16C2207A , GULF16C2205A , GULF16C2207A , GUNK16C2205A , GUNK16C2206A , GUNK16C2207A , HANA16C2205A , HANA16C2207A , INTU16C2205A , IRPC16C2205A , IVL16C2206A , JMAR16C2205A , JMAR16C2206A , JMT16C2205A , JMT16C2207A , KBAN16C2208A, KBAN16C2206A , KCE16C2209A, KCE16C2208A, KCE16C2205A , KCE16C2205B , MEGA16C2207A , MINT16C2207A , OR16C2205A , PTT16C2205A , PTTE16C2209A, PTTG16C2207A , RCL16C2208A, RCL16C2205A , RS16C2205A , S5016C2206A , S5016P2206A , S5016P2206B , SAWA16C2205A , SCB16C2208A, SYNE16C2206A , TOP16C2206A , TRUE16C2205A , TRUE16C2205B , TTA16C2208A, TTA16C2207A , (underlying securities are AMATA , AOT , AWC , BAM , BANPU , BBL , BCH , BEC , BGRIM , BLA , CBG , CHG , COM7 , CPF , DOHOME , EA , GPSC , GULF , GUNKUL , HANA , INTUCH , IRPC , IVL , JMART , JMT , KBANK , KCE , MEGA , MINT , OR , PTT, PTTEP, PTTGC , RCL , RS , SAWAD , SCB, SET50 , TOP, TRUE, TTA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: SCG Packaging Pcl (SCGP TB)