

BUY (Unchanged)

Change in Numbers

TP: Bt 49.00

(From: Bt 41.00)

7 SEPTEMBER 2023**Upside : 24.8%**

Muangthai Capital Pcl (MTC TB)

A new dawn

MTC is approaching the tail end of its asset quality bubble. The company's earnings had reached the bottom in 1Q23 and we expect 3Q23F to mark the start of its earnings growth turnaround. Valuation looks enticing at 2024F PE of 13x vs. net profit growth of 29% p.a. in 2024-25F. We reaffirm our BUY call with a higher TP of Bt49.

**SARACHADA SORNSONG**

662 – 779 9106

sarachada.sor@thanachartsec.co.th

Approaching end of its asset quality bubble

Following the conclusion of COVID-19 forbearance programs, MTC has been grappling with a surge in NPLs and increased provisions since 2Q22. However, the company took proactive steps to tighten its loan underwriting criteria starting in 2H22. This has enabled MTC to mitigate the adverse impacts of loans extended during this period. Consequently, the majority of NPLs can be attributed to the vintage loans from 2022. And we believe MTC is now reaching the final phase of its asset quality bubble. We expect its NPL ratio to peak at 3.48% in 3Q-4Q23F, before falling to 3.41% in 2024F, 3.31% in 2025F, and 3.21% in 2026F.

Scale benefits to counter rising funding costs

In light of the recent increase in defaults of investment-grade bonds and the prevailing trend of rising interest rates, MTC has experienced a significant uptick in its cost of funds. MTC has issued a total of Bt25.8bn in debentures YTD, causing the average coupon rate to rise from 3.4% in 2022 to 4.2%. Despite these challenges, MTC does not currently plan to raise its lending charges. That said, we anticipate the contraction in net profit margin to come to an end in 2023 due to the increasing benefits of operating leverage. We estimate cost-to-income ratio to decline from 47% in 2022-23F to 46.7% in 2024F and 46.5% in 2025F.

Double-digit loan growth continues

As part of its strategic shift aimed at managing NPLs, MTC has been gradually reducing its exposure to unsecured loans and motorcycle-HP loans. Despite this shift, loans grew by an impressive 24% y-y in 1H23, with the proportion of secured title-loans increasing from 82% in 2022 to 84%. We believe MTC will continue to pursue this strategy in the coming years. Our forecasts suggest loan growth of 18% in 2024F and 15% in 2025F. Furthermore, in line with its price cap policy, we model in an average lending yield of 18.3% over the next three years.

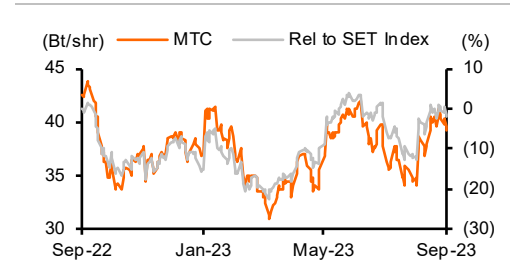
Reaffirming BUY with a higher TP of Bt49

We cut our earnings estimates by 7% p.a. over 2023-25F to reflect higher write-off expenses and funding costs. As we roll forward our base year to 2024F, we raise our DDM-based 12-month TP to Bt49 (from Bt41). We reaffirm our BUY call on MTC for 25% potential upside. **First**, the company is approaching the peak of its NPL ratio of close to 3.5% in 2H23F, and we expect the ratio to fall from 1Q24F and converge to a normalized cycle from 2025F. **Second**, MTC's earnings had already reached the bottom in 1Q23. We expect stronger profit growth of 20% h-h and 16% y-y in 2H23F. **Third**, despite its recent share price rally, MTC's valuation still looks very attractive to us. PE is still low at 13x against rising earnings growth of 29% p.a. over 2024-25F.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Pre Provision Profit	9,187	11,219	13,032	14,999
Net profit	5,093	4,973	6,392	8,239
Consensus NP	—	4,887	6,058	7,526
Diff frm cons (%)	—	1.8	5.5	9.5
Norm profit	5,093	4,973	6,392	8,239
Prev. Norm profit	—	5,521	6,876	8,471
Chg frm prev (%)	—	(9.9)	(7.0)	(2.7)
Norm EPS (Bt)	2.4	2.3	3.0	3.9
Norm EPS grw (%)	3.0	(2.3)	28.5	28.9
Norm PE (x)	16.3	16.7	13.0	10.1
P/BV (x)	2.9	2.5	2.1	1.8
Div yield (%)	2.4	0.9	1.2	1.5
ROE (%)	18.9	15.9	17.7	19.5
ROA (%)	4.5	3.5	3.8	4.3

PRICE PERFORMANCE



COMPANY INFORMATION

Price as of 7-Sep-23 (Bt)	39.25
Market Cap (US\$ m)	2,336.9
Listed Shares (m shares)	2,120.0
Free Float (%)	32.1
Avg Daily Turnover (US\$ m)	11.2
12M Price H/L (Bt)	43.75/31.00
Sector	Finance
Major Shareholder	Petaumpai Family 67.45%

Sources: Bloomberg, Company data, Thanachart estimates

ESG Summary Report P10

Earnings revisions

We cut our earnings by 7% on average...

...to reflect higher write-off expenses and funding costs

Muangthai Capital Pcl (MTC) set itself a target to maintain its NPL ratio at below 3.5%. This has been achieved by tightening its underwriting criteria, especially for unsecured loans, beefing up collection efforts, and speeding up NPL write-offs and sales. The company wrote off and sold Bt560m worth of NPLs in 1Q23 and Bt692m in 2Q23. This was much higher than the run rate in 2022 of an average of Bt243m per quarter. Meanwhile, MTC's recent debenture issuance has borne higher interest rates than we had assumed earlier. To reflect higher write-off expenses and funding costs, we cut our earnings estimates by 10% this year, 7% in 2024F, and 3% in 2025F.

Ex 1: Earnings Revisions

	2019	2020	2021	2022	2023F	2024F	2025F
Net profits (Bt bn)							
- New	4.24	5.21	4.94	5.09	4.97	6.39	8.24
- Old					5.52	6.88	8.47
- Change (%)					(9.92)	(7.04)	(2.74)
Total loans (Bt bn)							
- New	60.34	70.97	91.81	120.61	148.31	175.32	201.10
- Old					144.76	171.31	196.48
- Change (%)					2.45	2.34	2.35
Non-interest income (Bt m)							
- New	808.24	771.08	823.53	869.43	1,097.32	1,137.24	1,178.06
- Old					895.27	905.27	915.27
- Change (%)					22.57	25.62	28.71
Cost of funds (%)							
- New	3.80	3.82	3.60	3.54	3.71	4.30	4.50
- Old					3.91	3.99	3.99
- Change (%)					(0.20)	0.31	0.51
NIM (%)							
- New	18.65	17.46	14.88	15.37	14.24	13.97	13.88
- Old					14.40	14.70	14.99
- Change (ppt)					(0.16)	(0.73)	(1.11)
Opex (Bt bn)							
- New	5.31	6.14	6.96	8.07	9.88	11.37	12.96
- Old					9.84	11.62	13.47
- Change (%)					0.41	(2.14)	(3.83)
Provisions (Bt bn)							
- New	0.55	0.25	0.73	2.83	5.00	5.04	4.70
- Old					4.11	4.42	4.59
- Change (%)					21.60	14.09	2.34
NPLs (Bt bn)							
- New	0.62	0.75	1.28	3.51	5.17	5.98	6.66
- Old					5.28	6.15	6.86
- Change (%)					(2.09)	(2.76)	(2.90)

Sources: Company data, Thanachart estimates

BUY with a higher TP of Bt49

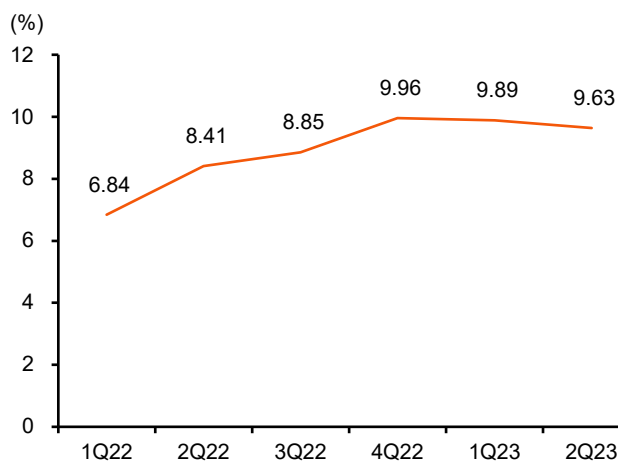
Despite the negative impact of our earnings cuts, we raise our DDM-based 12-month TP to Bt49 from Bt41 as we roll forward our base year to 2024F. With 25% potential upside, we reaffirm our BUY call on shares of MTC for the following three reasons.

First, MTC is approaching the end of its asset quality bubble

Final phase of asset quality bubble

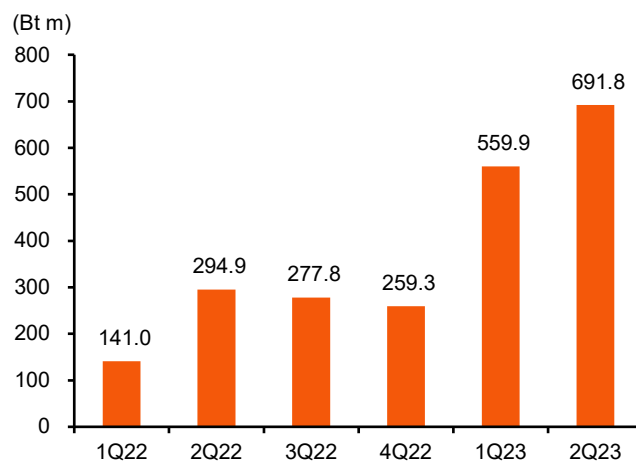
Following the conclusion of COVID-19 forbearance programs, MTC has been grappling with a surge in NPLs and increased provisions since 2Q22. However, the company took proactive steps to tighten its loan underwriting criteria, starting in 2H22. This has enabled MTC to mitigate the adverse impacts of loans extended during this period. Albeit slowly, Stage 2 loans have fallen from the peak of close to 10% in 4Q22 to 9.9% in 1Q23 and 9.6% in 2Q23. This makes it evident to us that MTC should be able to deal with any new NPLs. Most of the NPLs were attributed to vintage loans from 2022. Given that it normally takes 18 months to unwind an NPL situation, we believe MTC is now reaching the final phase of its asset quality bubble.

Ex 2: Falling Stage 2 Loans



Source: Company data

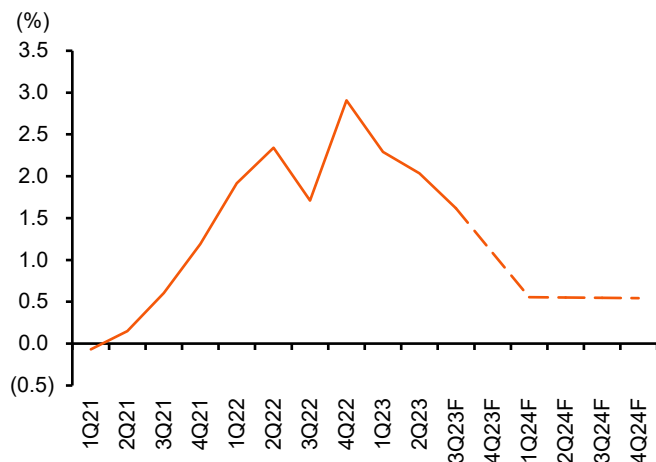
Ex 3: More Active NPL Resolution



Source: Company data

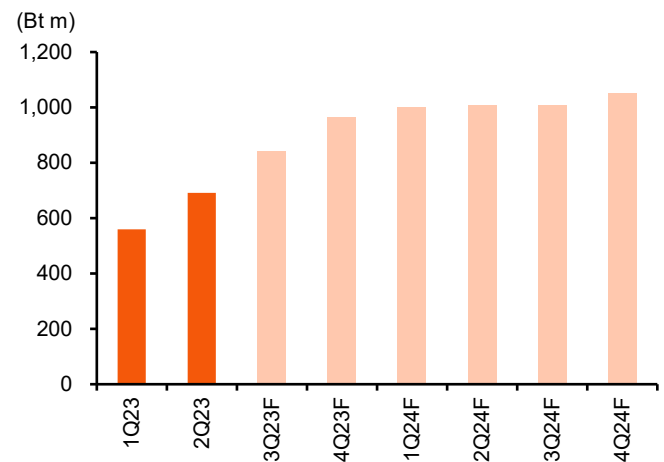
We expect the company to continue beefing up its collection efforts and proactively undertaking write-off and sales activities. This would mean that credit costs would stay elevated going into 1H24F. We then model credit costs of 3.72% this year, 3.12% in 2024F, and 2.5% in 2025F. As for NPLs, we anticipate its NPL ratio to peak at close to 3.5% in 3Q-4Q23F before falling to 3.41% in 2024F, 3.31% in 2025F, and 3.21% in 2026F.

Ex 4: NPL Formation



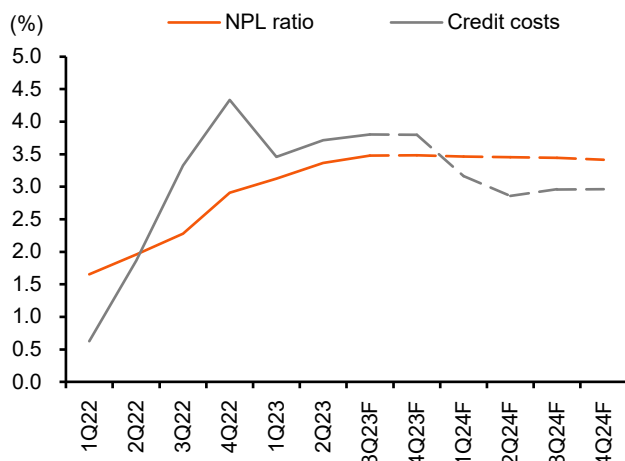
Sources: Company data, Thanachart estimates

Ex 5: NPL Resolution



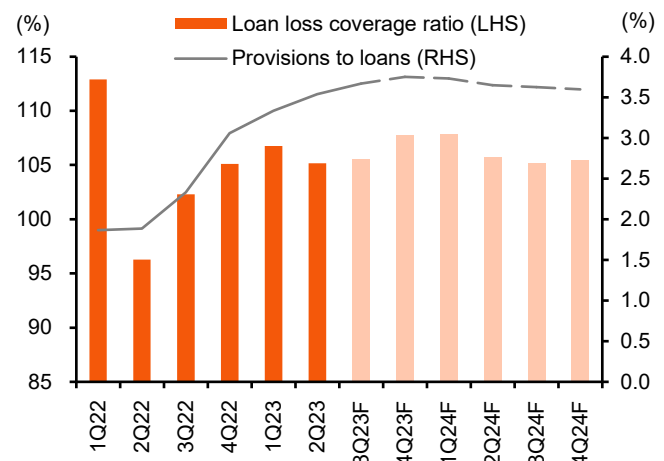
Sources: Company data, Thanachart estimates

Ex 6: NPL Ratio Vs. Credit Costs



Sources: Company data, Thanachart estimates

Ex 7: Provisions To Loans And Loan Loss Coverage Ratio



Sources: Company data, Thanachart estimates

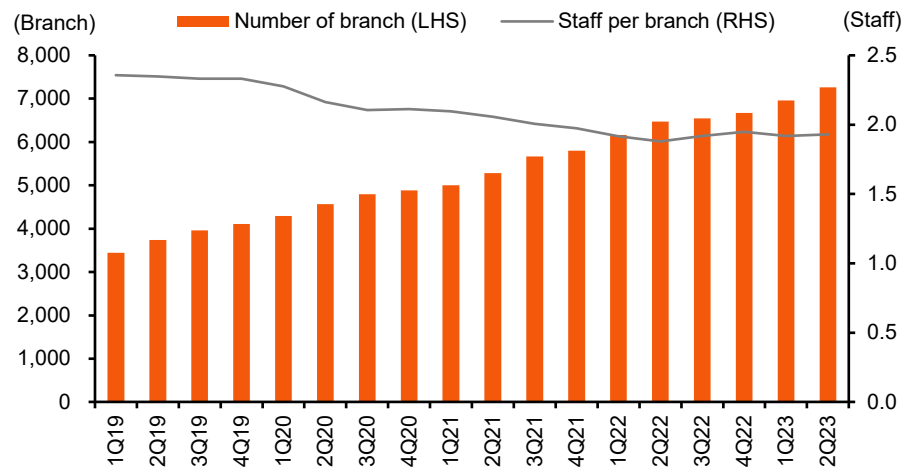
Second, earnings have bottomed with a growth turnaround in sight

Earnings reached their bottom in 1Q23

In 1Q23, MTC experienced a 22% y-y and 5% q-q decline in earnings, primarily due to provisions and collection expenses, which brought profits down to just Bt1.07bn. However, in 2Q23, MTC's profits rebounded by 12% q-q, driven by the increasing benefits of operating leverage and higher interest recognition.

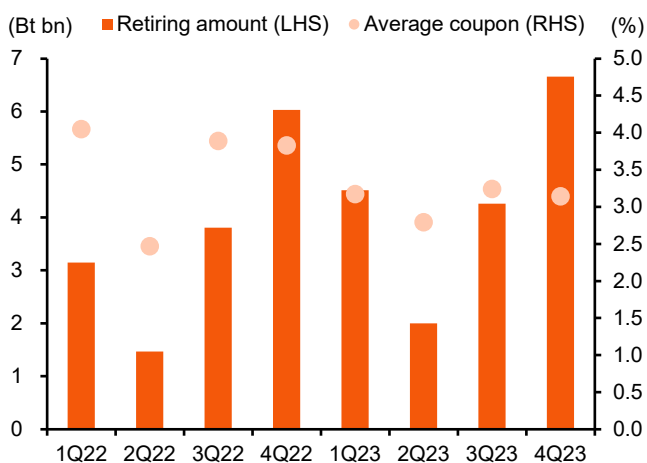
As of the end of June, MTC had 7,260 branches, and it has decided to reduce the pace of new branch openings. Notably, the number of staff per branch has decreased to less than two individuals since 4Q21. We expect this strategic shift to result in continued advantages from economies of scale. Even when factoring in higher cost of funds, we anticipate stronger profits, with a projected increase of 20% h-h and 16% y-y in 2H23F.

Ex 8: Staffs Vs. Branches



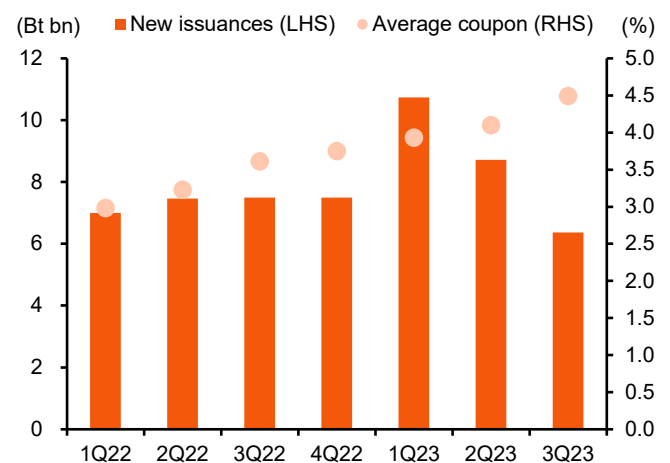
Source: Company data

Ex 9: Retiring Bonds Vs. Average Coupon Rate



Source: Company data

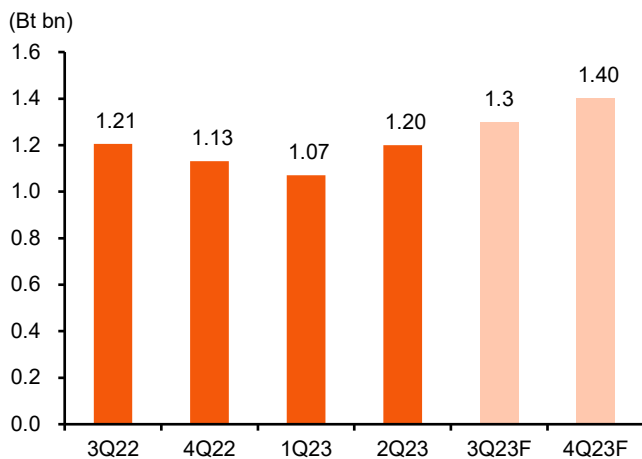
Ex 10: New Bond Issuances Vs. Average Coupon Rate



Source: Company data

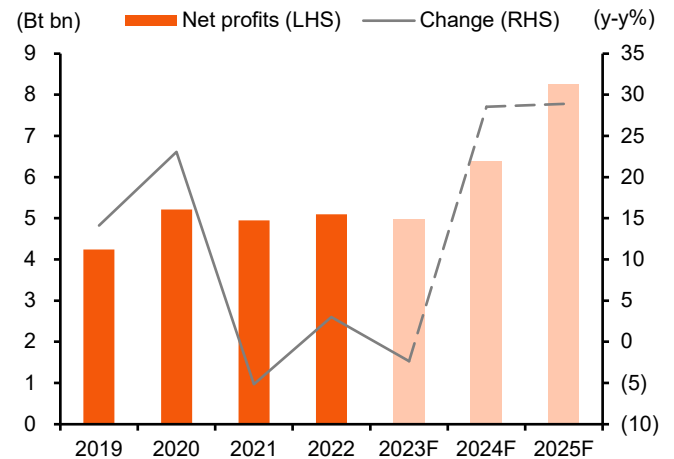
Going forward, we estimate stronger earnings growth of 29% p.a. over 2024-25F. Key growth drivers are continued decent loan growth of 18% and 15%, falling credit costs from 3.72% this year to 3.12% and 2.5% in 2024-25F, and cost-to-income ratio declining to 46.4% in 2025F.

Ex 11: Improving Quarterly Earnings



Sources: Company data, Thanachart estimates

Ex 12: Stronger Earnings Growth



Sources: Company data, Thanachart estimates

Third, valuation remains attractive, in our view

We expect MTC to break free from its range-bound trading pattern

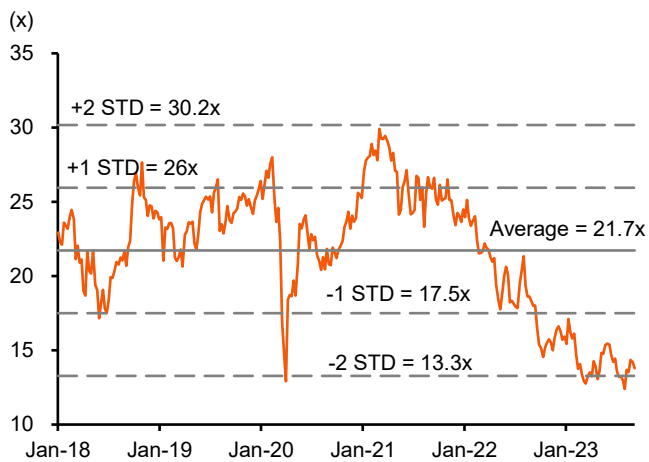
Since August 2022, MTC's share price has experienced a 16% decline, falling from Bt51. Subsequently, it has remained within a trading range of Bt30.75 to Bt42.25. We attribute this trading pattern to two primary concerns: rising interest rates and an increase in NPLs and provisions.

From 0.5% in April 2020, the policy rate has now risen to 2.25%. This is within the Bank of Thailand's (BoT) normalization zone. Given the current inflation rate of only 0.38% providing a low enough base to take on some risk of the El Nino effect that could upwardly affect farm prices, the clear falling trend of global inflation, and China's slower economic recovery momentum, we don't believe there is a strong argument for further rate hikes. Further policy rate hikes, if any, look set to be at a maximum of 25bps to 2.5% next year, in our view.

As interest rates are widely anticipated to stabilize, and the company appears to be approaching the final phase of addressing its asset quality concerns, we expect MTC to break free from its range-bound trading pattern. Consequently, we foresee potential upside of 25% to our newly revised higher TP.

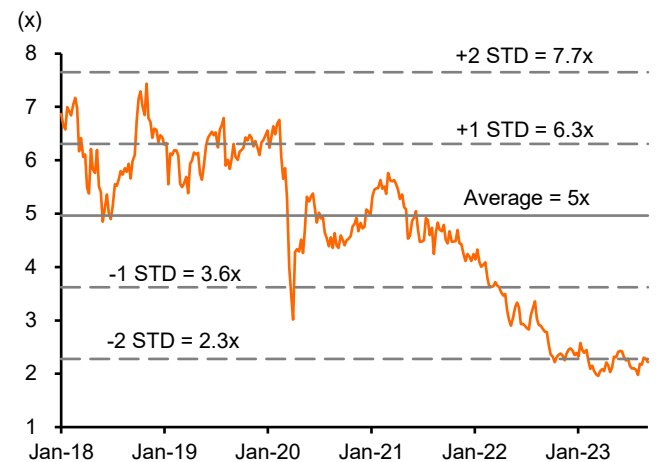
Despite the recent surge in MTC's share price following its positive 2Q23 profit report in early August, we do not believe the shares are overvalued. PE is still low at 13x against rising earnings growth of 29% p.a. over 2024-25F.

Ex 13: STD PE



Sources: Bloomberg, Thanachart estimates

Ex 14: STD P/BV



Sources: Bloomberg, Thanachart estimates

Ex 15: 12-month DDM-based Valuation Using A Base Year Of 2024F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal value
Dividend of common shares	959	1,236	1,540	2,519	5,630	7,808	8,741	11,742	13,149	19,644	19,644
Dividend payment	959	1,236	1,540	2,519	5,630	7,808	8,741	11,742	13,149	19,644	210,914
PV of dividend	961	1,003	1,126	1,659	3,339	4,172	4,208	4,912	4,932	6,608	70,952
Risk-free rate (%)	2.5										
Market risk premium (%)	8.0										
Beta	1.0										
WACC (%)	10.5										
Cost of equity	10.5										
Terminal growth (%)	2.0										
Equity value	103,873										
No. of shares (m)	2,120										
Equity value / share (Bt)	49.00										

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 16: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		— ROE —		— Div. yield —	
			23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
Afterpay Ltd	APT AU	Australia	na	236.6	na	na	na	na	6.6	16.8	na	na
Finvolution Group	FINV US	China	455.4	18.3	0.6	0.5	0.1	0.1	17.8	18.0	31.5	35.7
Mahindra & Mahindra Fin Secs	MMFS IN	India	(9.0)	23.7	19.6	15.8	2.1	1.9	10.8	12.6	1.3	1.8
Bajaj Finance Ltd	BAF IN	India	(2.1)	25.4	39.4	31.4	8.3	6.7	23.1	23.6	0.3	0.4
Manappuram Finance Ltd	MGFL IN	India	0.5	24.0	8.2	6.6	1.3	1.1	16.5	17.8	2.3	2.5
GMO Payment Gateway Inc.	3769 JP	Japan	(45.2)	24.5	53.8	43.3	7.8	7.1	15.1	17.5	0.9	1.1
Infomart Corp.	2492 JP	Japan	19.2	139.1	329.5	137.8	9.7	9.5	3.1	7.0	0.2	0.4
Ally Financial Inc	ALLY US	US	(36.4)	34.7	8.7	6.5	0.7	0.6	8.3	9.8	4.3	4.4
World Acceptance Corp	WRLD US	US	na	na	418.9	13.6	2.1	1.7	1.2	11.3	na	na
Navient Corp	NAVI US	US	(27.5)	(8.7)	5.4	5.9	0.7	0.6	13.5	10.9	3.7	3.7
SLM Corp	SLM US	US	46.2	7.1	5.5	5.1	2.1	1.9	37.6	37.2	3.2	3.3
Amanah Leasing	AMANA TH	Thailand	(40.0)	27.8	14.4	11.3	1.5	1.4	10.0	13.1	5.4	6.3
Asia Sermkij Leasing *	ASK TB	Thailand	18.1	19.1	7.2	6.0	1.2	1.1	16.7	18.2	7.0	8.3
Bangkok Commercial Asset Mgt.	BAM TB	Thailand	(11.7)	7.4	15.3	14.3	0.8	0.8	5.5	5.8	4.8	4.6
Chayo Group	CHAYO TB	Thailand	51.2	2.9	22.9	22.2	1.8	1.8	9.8	8.1	1.5	1.8
JMT Network Services *	JMT TB	Thailand	19.8	26.4	32.3	25.5	2.9	2.8	9.0	11.1	2.5	3.1
Krungthai Card *	KTC TB	Thailand	4.0	15.4	16.3	14.1	3.4	2.9	21.9	22.2	2.8	3.2
Muangthai Capital *	MTC TB	Thailand	(2.3)	28.5	16.7	13.0	2.5	2.1	15.9	17.7	0.9	1.2
Saksiam Leasing *	SAK TB	Thailand	20.4	20.3	12.8	10.7	1.9	1.7	15.2	16.7	3.1	3.7
Srisawad Corporation *	SAWAD TB	Thailand	26.2	28.2	11.5	9.0	2.2	1.9	20.1	22.8	4.3	5.6
Ratchthani Leasing *	THANI TB	Thailand	9.6	10.5	9.7	8.8	1.4	1.3	15.0	15.5	5.7	6.3
Ngern Tid Lor *	TIDLOR TB	Thailand	12.5	22.0	15.2	12.5	2.2	2.0	15.3	16.7	1.3	1.6
Average			25.4	34.9	50.7	19.7	2.7	2.4	14.0	15.9	4.3	4.9

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

Based on 7 Sep 2023 closing price

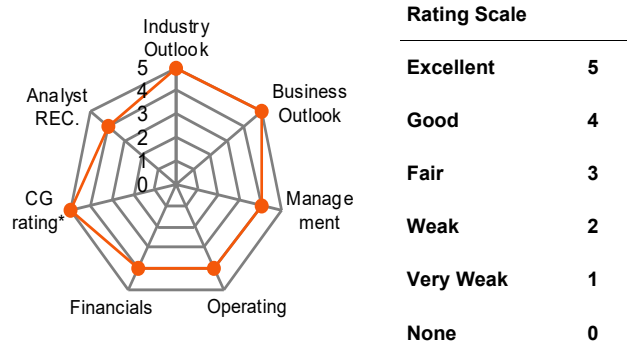
Our major shareholder TCAP (Thanachart Capital Pcl) holds 89.96% of Thanachart Securities. TCAP also holds 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd holds 60% stake in THANI and is the major shareholder of THANI.

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



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)	38.65	49.00	27%
Net profit 23F (Bt m)	4,887	4,973	2%
Net profit 24F (Bt m)	6,058	6,392	6%
Consensus REC	BUY: 6	HOLD: 10	SELL: 8

HOW ARE WE DIFFERENT FROM THE STREET?

- We believe we are ahead of the Bloomberg consensus in factoring in MTC's increasing scale benefits.
- As we expect a decline in credit costs from 2H24F onward, we think this is why our TP is higher.

Sources: Bloomberg consensus, Thanachart estimates

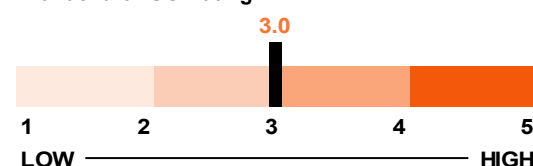
RISKS TO OUR INVESTMENT CASE

- If MTC is not able to improve asset quality as we presently assume, this represents the key downside risk to our earnings forecasts and BUY recommendation.
- Increases in MTC's cost-to-income ratio and funding costs would present further downside risks to our earnings forecasts and TP.

Source: Thanachart

MTC is the largest microfinance play in Thailand, with loans outstanding of over Bt100bn. With 6,475 branches and more than 11k employees, MTC does impact the environment via greenhouse gas (GHG) emissions and waste generation. Given its clear targets to reduce its environmental impact, we assign an ESG score of 3.04 for MTC.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	ESG Book (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
MTC	YES	YES	-	AA	42.36	58.27	42.00	-	5.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, ESG Book, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)

Note: Please see third party on "terms of use" toward the back of this report.

Factors	Our Comments
ENVIRONMENT - Environmental Policies & Guidelines - Energy Management - Carbon Management - Water Management - Waste Management	- During its Phase 1 plan over 2020-27, MTC has set a target to reduce its total GHG emissions, including Scope 1, 2, and 3, by 10% from its base year of 2021. The second phase is to reduce average carbon dioxide equivalent emissions by 40% in 2028-32. Lastly, it aims to reach carbon neutrality by 2033-37. - The organization's operations are still paper-based in order to support its business expansion of more than 20%. Following certain measures, i.e., using both sides of environmentally friendly paper products and developing an e-receipt system, MTC targets to reduce paper usage by 80% from 2021's base year in 2032. - MTCI also set a target of reducing waste from paper and vinyl signs by 5% by 2023.
SOCIAL - Human Rights - Staff Management - Health & Safety - Product Safety & Quality - Social Responsibility	- MTC assigns importance to taking care of its employees so they can perform their work happily, and it offers appropriate compensation and benefits to attract and retain personnel to drive the organization and grow with the organization over the long term. - Women comprise 10% of total employees. Meanwhile, 43% of the company's committee are female. - MTC has set up "MTC University" to encourage staff to develop skills and knowledge. - Under the "Responsible Lending" concept, MTC conducted the "Muangthai Mai Ting Kan" project to support the community via education, public health, religion, and culture. - As a family-run company, MTC has identified successors for the positions of managing director, top executives, and heads of core functions/departments based on the performance, potential, and readiness of each individual.
GOVERNANCE & SUSTAINABILITY - Board - Ethics & Transparency - Business Sustainability - Risk Management - Innovation	- There are seven directors, with four males and three females, 57% of whom are non-executive and independent directors. - MTC's board also formulates sustainability goals to cover all three ESG dimensions. - The company has a risk-management and legal department to manage risks. The board of directors approved the establishment of a compliance department, which is responsible for supervising and monitoring operations to comply with the framework of relevant rules, regulations, and laws. The risk-management and legal department, supervisory department, and internal audit department must work independently and report to management, the risk-management committee, and audit committee regularly. - A whistle-blowing channel has been created as a means to prevent and detect cyberattacks in a timely manner.

Sources: Thanachart, Company data

INCOME STATEMENT

Higher interest income to be offset by rising funding and credit costs in 2023

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Interest Income	15,195	19,199	23,790	28,551	33,202
Interest Expenses	2,127	2,813	3,785	5,289	6,423
Net Interest Income	13,068	16,386	20,006	23,262	26,779
% of total income	94.1%	95.0%	94.8%	95.3%	95.8%
Fee income	769	792	997	1,027	1,058
% of total income	5.5%	4.6%	4.7%	4.2%	3.8%
Other income	55	78	100	110	120
% of total income	0.4%	0.5%	0.5%	0.5%	0.4%
Non-interest Income	824	869	1,097	1,137	1,178
% of total income	5.9%	5.0%	5.2%	4.7%	4.2%
Total Income	13,891	17,255	21,103	24,399	27,957
Operating Expenses	6,961	8,069	9,884	11,367	12,958
Pre-provisioning Profit	6,930	9,187	11,219	13,032	14,999
Bad debt expenses	728	2,827	5,002	5,042	4,700
Pre-tax Profit	6,201	6,360	6,217	7,990	10,299
Income Tax	1,257	1,267	1,243	1,598	2,060
After Tax Profit	4,945	5,093	4,973	6,392	8,239
Equity Income	0	0	0	0	0
Minority Interest	0	0	0	0	0
Extraordinary Items	0	0	0	0	0
NET PROFIT	4,945	5,093	4,973	6,392	8,239
Normalized Profit	4,945	5,093	4,973	6,392	8,239
EPS (Bt)	2.3	2.4	2.3	3.0	3.9
Normalized EPS (Bt)	2.3	2.4	2.3	3.0	3.9

BALANCE SHEET

Focusing on secured lending

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Cash and ST investments	1,306	3,213	1,300	1,300	1,300
Other current assets	397	424	500	553	606
Total current assets	1,703	3,637	1,800	1,853	1,906
Gross loans & accr. interest	92,353	120,812	148,106	175,117	200,896
Provisions	1,832	3,686	5,499	6,509	7,187
Net loans	89,981	116,928	142,807	168,808	193,908
Fixed assets	2,054	2,037	2,216	2,523	2,708
Other assets	4,652	5,464	6,176	6,781	7,379
Total assets	98,390	128,066	152,999	179,965	205,901
Short term borrow ing	28,793	31,799	36,151	38,223	40,457
A/P & notes payables	1,237	1,211	1,201	1,191	1,181
Other current liabilities	1,672	2,380	2,286	2,077	2,078
Long term borrow ing	38,521	59,928	76,035	95,337	111,675
Total borrowings	67,314	91,727	112,185	133,561	152,132
Other L-T liabilities	3,299	3,658	3,972	4,312	4,646
Minority interest	0	0	0	0	0
Shareholders' equity	24,869	29,091	33,355	38,825	45,865
Total Liab. & Equity	98,390	128,066	152,999	179,965	205,901

Sources: Company data, Thanachart estimates

VALUATION

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	16.8	16.3	16.7	13.0	10.1
Normalized PE - at target price (x)	21.0	20.4	20.9	16.3	12.6
PE (x)	16.8	16.3	16.7	13.0	10.1
PE - at target price (x)	21.0	20.4	20.9	16.3	12.6
P/PPP (x)	12.0	9.1	7.4	6.4	5.5
P/PPP - at target price (x)	15.0	11.3	9.3	8.0	6.9
P/BV (x)	3.3	2.9	2.5	2.1	1.8
P/BV - at target price (x)	4.2	3.6	3.1	2.7	2.3
Dividend yield (%)	0.9	2.4	0.9	1.2	1.5
Normalized EPS (Bt)	2.3	2.4	2.3	3.0	3.9
EPS (Bt)	2.3	2.4	2.3	3.0	3.9
DPS (Bt)	0.4	1.0	0.4	0.5	0.6
PPP/Share (Bt)	3.3	4.3	5.3	6.1	7.1
BV/share (Bt)	11.7	13.7	15.7	18.3	21.6
P/BV to ROE (x)	0.2	0.2	0.2	0.1	0.1

Attractive valuation, in our view

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate (%)					
Net interest income (NII)	7.6	25.4	22.1	16.3	15.1
Non-interest income (Non-II)	6.8	5.6	26.2	3.6	3.6
Operating expenses	13.3	15.9	22.5	15.0	14.0
Pre-provisioning profit (PPP)	2.3	32.6	22.1	16.2	15.1
Net profit	(5.2)	3.0	(2.3)	28.5	28.9
Normalized profit growth	(5.2)	3.0	(2.3)	28.5	28.9
EPS	(5.2)	3.0	(2.3)	28.5	28.9
Normalized EPS	(5.2)	3.0	(2.3)	28.5	28.9
Dividend payout ratio	15.9	39.5	15.0	15.0	15.0
Loan - gross	31.6	30.8	22.6	18.2	14.7
Loan - net	29.2	29.9	22.1	18.2	14.9
Borrowings	18.7	150.7	(3.1)	4.3	4.8
NPLs	70.7	174.8	47.3	15.8	11.3
Total assets	27.4	30.2	19.5	17.6	14.4
Total equity	20.2	17.0	14.7	16.4	18.1
Operating Ratios (%)					
Net interest margin (NIM)	14.9	15.4	14.2	14.0	13.9
Net interest spread	15.4	15.0	14.6	14.0	13.8
Yield on earnings assets	18.6	18.1	17.7	17.6	17.6
Avg cost of fund	3.6	3.5	3.7	4.3	4.5
NII / operating income	94.1	95.0	94.8	95.3	95.8
Non-II / operating income	5.9	5.0	5.2	4.7	4.2
Fee Income / Opt Income	5.5	4.6	4.7	4.2	3.8
Norm Net Margin	35.6	29.5	23.6	26.2	29.5
Cost-to-income	50.1	46.8	46.8	46.6	46.4
Credit cost - provision exp / loans	0.9	2.7	3.7	3.1	2.5
PPP / total assets	7.9	8.1	8.0	7.8	7.8
PPP / total equity	30.4	34.1	35.9	36.1	35.4
Avg assets/avg equity (leverage)	3.9	4.2	4.5	4.6	4.6
ROA	5.6	4.5	3.5	3.8	4.3
ROE	21.7	18.9	15.9	17.7	19.5

Falling credit costs just around the corner

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Liquidity and Quality Ratio (%)					
Gross Loan / Borrow ings	908.6	474.0	599.8	679.7	744.1
Net Loan / Borrow ings	885.2	458.8	578.4	655.2	718.2
Net Loan / Assets	91.5	91.3	93.3	93.8	94.2
Net Loan / Equity	361.8	401.9	428.1	434.8	422.8
S-T / L-T Borrow ings	41.7	31.2	29.0	31.9	35.0
Borrow ings / Liabilities	13.8	25.8	20.6	18.3	16.9
Interest-bearing Debt / Equity	270.7	315.3	336.3	344.0	331.7
Liabilities / Equity	295.6	340.2	358.7	363.5	348.9
Equity/ Gross loans	26.9	24.1	22.5	22.2	22.8
NPLs	1,275.9	3,506.6	5,166.2	5,982.7	6,661.2
NPLs / Total Loans (NPL Ratio)	1.4	2.9	3.5	3.4	3.3
Loan-Loss-Coverage (Provision / NPLs)	143.6	105.1	106.4	108.8	107.9

Sources: Company data, Thanachart estimates

*In the final phase of its
asset quality bubble*

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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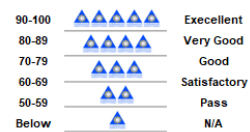
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Thanachart Securities Pcl.

Research Team

18 Floor, MBK Tower

444 Phayathai Road, Pathumwan Road, Bangkok 10330

Tel: 662 - 779-9119

Email: thanachart.res@thanachartsec.co.th

Pimpaka Nichgaroon, CFA

Head of Research, Strategy

Tel: 662-779-9199

pimpaka.nic@thanachartsec.co.th

Nuttapop Prasitsuksant

Telecom, Utilities

Tel: 662-483-8296

nuttapop.pra@thanachartsec.co.th

Rata Limsuthiwanpoom

Auto, Industrial Estate, Media, Prop. Fund

Tel: 662-483-8297

rata.lim@thanachartsec.co.th

Siriporn Arunothai

Small Cap, Healthcare, Hotel

Tel: 662-779-9113

siriporn.aru@thanachartsec.co.th

Sittichet Rungrassameephat

Analyst, Quantitative

Tel: 662-483-8303

sittichet.run@thanachartsec.co.th

Adisak Phupipathirungul, CFA

Retail Market Strategy

Tel: 662-779-9120

adisak.phu@thanachartsec.co.th

Pattadol Bunnak

Electronics, Food & Beverage, Shipping

Tel: 662-483-8298

pattadol.bun@thanachartsec.co.th

Saksid Phadthananarak

Construction, Transportation

Tel: 662-779-9112

saksid.pha@thanachartsec.co.th

Yupapan Polpornprasert

Energy, Petrochemical

Tel: 662-779-9110

yupapan.pol@thanachartsec.co.th

Thaloengsak Kucharoenpaisan

Analyst, Retail Market

Tel: 662-483-8304

thaloengsak.kuc@thanachartsec.co.th

Pattarawan Wangmingmat

Senior Technical Analyst

Tel: 662-779-9105

pattarawan.wan@thanachartsec.co.th

Phannarai Tiypittayarut

Property, Retail

Tel: 662-779-9109

phannarai.von@thanachartsec.co.th

Sarachada Sornsong

Bank, Finance

Tel: 662-779-9106

sarachada.sor@thanachartsec.co.th

Witchanan Tambamroong

Technical Analyst

Tel: 662-779-9123

witchanan.tam@thanachartsec.co.th

Nariporn Klangpremchitt

Analyst, Retail Market

Tel: 662-779-9107

nariporn.kla@thanachartsec.co.th