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KEY HIGHLIGHTS

Update

Muangthai Capital (MTC TB/HOLD/Bt56.50/Target: Bt58.00)

Expect 4Q20 earnings to grow 17% yoy.

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KEY INDICES

Symbol	Close	Chg	%Chg
SET	1,483.89	1.80	0.12
SET50	948.99	(1.91)	(0.20)
Value (Btm) - SET	102,065		
Top 5 Sector			
BANK	348.40	0.36	0.10
PETRO	1,016.68	7.11	0.70
PROP	226.03	0.72	0.32
ENERG	23,210.11	22.43	0.10
ICT	142.70	0.75	0.53

Source: Bloomberg

TOP VOLUME

Symbol	Price (Bt)	Chg (%)	Volume ('000)
TMB	1.19	(0.83)	2,017,216.2
KBANK	121.50	0.83	19,187.9
SCGP	42.25	(2.87)	52,389.6
CPALL	62.50	(0.40)	33,888.1
DELTA	356.00	2.89	5,550.3

TOP GAINERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
KWG	0.87	29.85	5,512.4
NOK	1.35	27.36	12,096.4
TCC	0.24	26.32	48,787.2
EFORL	0.05	25.00	7,393.6
UWC	0.05	25.00	1,066.8

TOP LOSERS

Symbol	Price (Bt)	Chg (%)	Volume ('000)
MPIC	1.52	(18.72)	1.0
SO	10.00	(13.79)	3,019.7
SNC	12.00	(12.41)	7,009.1
META	0.41	(8.89)	49,827.1
BSM	0.28	(6.67)	5,344.0

KEY STATISTICS

Commodity	Current Price	%Chg		
		1m	3M	YTD
Brent crude*	51.4	15.5	15.6	(15.1)
Dubai crude*	51.2	18.0	26.0	(21.6)
Baltic Dry Index	1,296.0	16.2	0.0	18.9
Gold Spot***	1,881.5	0.5	(3.6)	24.0

*(US\$/bbl), *** (US\$/toz)

FOREIGN PORTFOLIO INVESTMENT IN EQUITIES (THAILAND)

Day (Mil US\$)	MTD Net (Mil US\$)	YTD Net (Mil US\$)	YTD Net YoY%
(87.8)	161.6	(8,206.6)	(7,055.3)

Source: Bloomberg

Foreign Exchange Rate - THB/US\$ (onshore) = 29.78

Interest Rate (%) - TH 1-day RP = 1.50

Thai Lending Rate (%)* - MLR = 5.25



Please note: This is the final release of the Country Daily for the year. Country Daily production will resume on 4 Jan 21. UOB Kay Hian wishes you a blessed Christmas and bountiful New Year.



COMPANY UPDATE

Muangthai Capital (MTC TB)

Expect 4Q20 Earnings To Grow 17% Yoy

We expect MTC to post a strong 4Q20 net profit of around Bt1.3b (+17.3% yoy and flat qoq). The key driver for 4Q20 earnings should come from strong loan growth outlook. However, we believe the stock is trading close to its fair value. Maintain HOLD. Target price: Bt58.00. Entry price: Bt50.00.

4Q20 RESULTS PREVIEW

Year to 31 Dec (Btm)	4Q20F	3Q20	4Q19	qoq chg (%)	yoy chg (%)
Total gross loan	71,609	67,215	60,338	6.5	18.7
Net interest income	3,258	3,088	2,822	5.5	15.4
Non-interest income	183	182	207	0.8	(11.6)
Loan loss provision	120	52	132	130.6	(9.2)
SG&A	1,662	1,533	1,500	8.4	10.8
Net income	1,327	1,340	1,131	(1.0)	17.3
EPS (Bt)	0.63	0.63	0.53	(1.0)	17.3
Ratio (%)					
Net interest margin (NIM %)*	18.8	18.9	19.1		
Credit cost (bp)*	95	32	90		
Cost to income (%)*	48.3	46.9	49.5		

Source: MTC, UOB Kay Hian

* Note: The ratios are annualised.

WHAT'S NEW

- Reaffirm 2020 loan growth target of 20% yoy.** Management is confident that Muangthai Capital (MTC) would be able to achieve its loan growth target of 20% yoy in 2020. Consumer loan demand should recover in 4Q20, underpinned by the easing in lockdown measures and many long holidays in 4Q20. In addition, management also guided that MTC's loan store count is well above 4,800 (as of 17 Dec 20), which exceeds its previous end-20 target of 4,700.
- Asset quality remains robust.** We expect MTC's NPL ratio to increase from 1.0% in 3Q20 to 1.1% in 4Q20 given that the debt relief programme in phase 1 and 2 have ended. Nevertheless, we believe the company's asset quality remains robust, supported by its strong loan-loss coverage ratio of 200% in 3Q20.

KEY FINANCIALS

Year to 31 Dec (Btm)	2018	2019	2020F	2021F	2022F
Net interest income	8,444	10,353	12,183	14,278	16,744
Non-interest income	872	808	753	756	811
Net profit (rep./act.)	3,713	4,237	5,171	5,865	6,845
Net profit (adj.)	3,713	4,237	5,171	5,865	6,845
EPS (Bt)	1.8	2.0	2.4	2.8	3.2
PE (x)	32.3	28.3	23.2	20.4	17.5
P/B (x)	9.7	7.5	5.8	4.7	3.8
Dividend yield (%)	0.3	0.5	0.5	0.8	1.0
Net int margin (%)	20.7	20.2	19.1	18.5	18.1
Cost/income (%)	44.0	47.6	49.8	49.0	47.9
Loan loss cover (%)	277.7	275.8	190.0	160.0	170.0
Consensus net profit	-	-	5,121	5,920	7,000
UOBKH/Consensus (x)	-	-	1.01	0.99	0.98

Source: MTC, Bloomberg, UOB Kay Hian

HOLD

(Maintained)

Share Price	Bt56.50
Target Price	Bt58.00
Upside	+2.7%
(Previous TP)	Bt52.50)

COMPANY DESCRIPTION

MTC provides motorcycle, commercial/passenger cars, tractors, and title deed, personal, and nano loan to individuals.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	MTC TB
Shares issued (m):	2,120.0
Market cap (Btm):	119,780.0
Market cap (US\$m):	3,992.0
3-mth avg daily t'over (US\$m):	15.9

Price Performance (%)

52-week high/low Bt68.25/Bt29.75

1mth	3mth	6mth	1yr	YTD
0.0	8.7	3.7	(7.4)	(11.4)

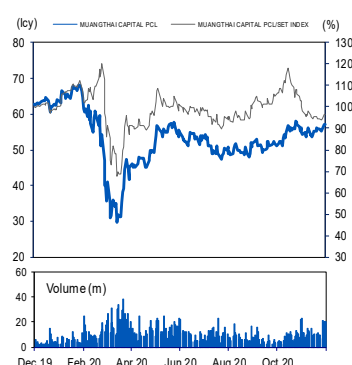
Major Shareholders

	%
Petaumpai family	67.5
Thai NVDR	5.1
South East ASIA UK (TYPE C)	2.4

FY20 NAV/Share (Bt)

9.74

PRICE CHART



Source: Bloomberg

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- **NIM remains under pressure from high competition.** The company's cost of funding from 4Q20 onwards would be lower from soft-loan borrowing with an interest rate of 2.0% (MTC's average cost of funding without soft loans in 2Q20 was 3.8%). However, the impact from the decline in loan yield as a result of fiercer competition in auto-title loans would outweigh the benefits of lower cost of funding. Overall, we expect MTC's NIM to drop by 30bp yoy.

- **Motorcycle HP to reach 5% of MTC's total loan in 2023.** MTC plans to improve its loan yield by expanding its new motorcycle hire-purchase (HP) business, which has a loan yield of 24% (higher than its total loan yield of 21.8%). Management targets motorcycle HP to reach 5% of its total loans by 2023. While we do not expect motorcycle HP to provide significant contribution to 2021 earnings, we foresee it having the potential to drive MTC's earnings outlook in the long term.

STOCK IMPACT

- **We expect MTC's 4Q20 earnings to grow 17.3% yoy.** We expect MTC to post a net profit of around Bt1.3b in 4Q20, up 17.3% yoy and flat qoq. The key driver for yoy earnings growth should come from strong loan growth of 18.7% yoy. However, we believe NIM would decline yoy and qoq on the back of fiercer competition in auto-title loans.

NET PROFIT FORECAST

(Btm)	2020F	2021F	2022F
Old	5,116	5,748	6,793
New	5,171	5,865	6,845
% chg	1.1	2.0	0.7

Source: UOB Kay Hian

EARNINGS REVISION/RISK

- We fine-tune our 2020-22 earnings forecasts by 0.7-2.0% to account for better asset quality outlook.

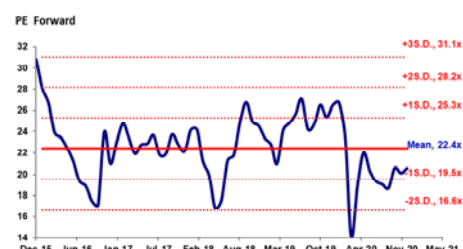
VALUATION/RECOMMENDATION

- **Maintain HOLD.** We maintain our HOLD recommendation with a higher target price of Bt58.00 using GGM (cost of equity: 11.0%, long-term growth: 3.5%). We adjust cost of equity down slightly to account for low risk-free rate trend for the next couple of years and excess global liquidity. Our target price implies 21x 2021F PE, which is -0.5SD of its 5-year mean.

SHARE PRICE CATALYST

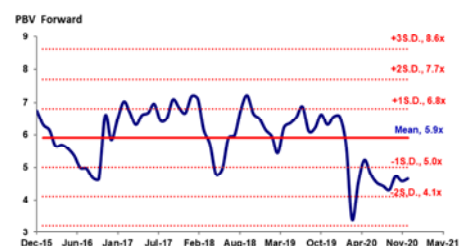
- No short-term price catalyst.

PE BAND



Source: MTC, UOB Kay Hian

P/B BAND



Source: MTC, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Interest income	11,880	14,020	16,450	19,163
Interest expense	(1,527)	(1,837)	(2,171)	(2,418)
Net interest income	10,353	12,183	14,278	16,744
Fees & commissions	723	708	688	726
Other income	85	45	67	84
Non-interest income	808	753	756	811
Total income	11,161	12,937	15,034	17,555
Staff costs	(5,314)	(6,207)	(7,368)	(8,414)
Other operating expense	0	(241)	0	0
Pre-provision profit	5,847	6,489	7,665	9,141
Loan loss provision	(554)	(18)	(334)	(585)
Pre-tax profit	5,293	6,470	7,331	8,556
Tax	(1,056)	(1,300)	(1,466)	(1,711)
Minorities	0	0	0	0
Net profit	4,237	5,171	5,865	6,845
Net profit (adj.)	4,237	5,171	5,865	6,845

OPERATING RATIOS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
Capital Adequacy				
Total assets/equity (x)	3.9	3.8	3.6	3.5
Tangible assets/tangible common equity (x)	3.9	3.8	3.7	3.5
Asset Quality				
NPL ratio	1.0	1.0	1.0	0.9
Loan loss coverage	275.8	190.0	160.0	170.0
Loan loss reserve/gross loans	2.8	1.9	1.6	1.6
Increase in NPLs	15.2	17.9	19.3	7.6
Credit cost (bp)	102.3	2.8	42.4	63.0
Liquidity				
Loan/deposit ratio	136.6	129.2	132.0	134.4
Liquid assets/short-term liabilities	8.8	9.3	10.6	16.8
Liquid assets/total assets	1.3	1.9	1.8	2.4

BALANCE SHEET

Year to 31 Dec (Btm)	2019	2020F	2021F	2022F
Cash with central bank	783	1,484	1,712	2,596
Govt treasury bills & securities	10	10	10	10
Customer loans	58,623	70,216	84,479	98,124
Investment securities	75	72	86	100
Fixed assets (incl. prop.)	1,778	1,823	1,409	1,168
Other assets	603	4,606	5,519	6,405
Total assets	61,872	78,211	93,216	108,403
Interbank deposits	8,929	15,287	15,233	14,315
Customer deposits	0	0	0	0
Debt equivalents	35,207	39,276	48,820	58,685
Other liabilities	1,764	3,008	3,607	4,188
Total liabilities	45,900	57,571	67,660	77,189
Shareholders' funds	15,972	20,641	25,556	31,214
Minority interest - accumulated	0	0	0	0
Total equity & liabilities	61,872	78,211	93,216	108,403

KEY METRICS

Year to 31 Dec (%)	2019	2020F	2021F	2022F
Growth				
Net interest income, yoy chg	22.6	17.7	17.2	17.3
Fees & commissions, yoy chg	(9.2)	(2.1)	(2.8)	5.5
Pre-provision profit, yoy chg	12.2	11.0	18.1	19.2
Net profit, yoy chg	14.1	22.0	13.4	16.7
Net profit (adj.), yoy chg	14.1	22.0	13.4	16.7
Customer loans, yoy chg	25.9	19.8	20.3	16.2
Profitability				
Net interest margin	20.2	19.1	18.5	18.1
Cost/income ratio	47.6	49.8	49.0	47.9
Adjusted ROA	7.6	7.4	6.8	7.3
Reported ROE	30.0	28.2	25.4	24.1
Adjusted ROE	30.0	28.2	25.4	24.1
Valuation				
P/BV (x)	7.5	5.8	4.7	3.8
P/NTA (x)	7.5	5.8	4.7	3.8
Adjusted P/E (x)	28.3	23.2	20.4	17.5
Dividend Yield	0.5	0.5	0.8	1.0
Payout ratio	13.0	12.3	16.2	17.3

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