

COMPANY UPDATE

Muangthai Capital (MTC TB)

2Q24 Results Preview: Expect A QOQ Decline In Credit Costs

We expect MTC to report a 2Q24 net profit of Bt1,557m, up 30% yoy and 12% qoq. A qoq reduction in credit costs will reaffirm a better asset quality outlook. We expect a decline in provision expenses qoq in 2Q24. Meanwhile, NPL should be maintained in 2Q24. Management guided that we should see a continued improvement in credit costs for the rest of this year. However, we have a more conservative approach to asset quality assumptions. Maintain BUY with a lower target price of Bt56.00.

WHAT'S NEW

2024 RESULTS PREVIEW

Year to 31 Dec (Btm)	2Q24F	1Q24	2Q23	qoq chg (%)	yoy chg (%)
Total gross loans	159,688	147,587	132,851	8.2	20.2
Net interest income	5,377	5,223	4,845	3.0	11.0
Non-interest income	314	278	287	13.0	9.2
Loan loss provision	(1,049)	(1,134)	(1,200)	(7.5)	(12.6)
Non-Interest expenses	(2,696)	(2,630)	(2,463)	2.5	9.5
Pre-provision operating profit	2,605	2,523	2,400	3.3	8.6
Net income	1,557	1,389	1,200	12.0	29.7
EPS (Bt)	0.73	0.66	0.57	12.0	29.7
Ratio (%)					
NPL ratio (%)	3.0	3.0	3.4		
Loan loss coverage ratio (%)	117	121	105		
Net interest margin (NIM %)	14.1	14.4	15.0		
Credit cost (bp)	273	312	371		
Cost to income (%)	47.4	47.8	48.0		
Number of network store	7,913	7,788	7,260		
Baseline Total Loans/Store	19.9	18.7	18.1		

Source: MTC, UOB Kay Hian

• **Expect a yoy and qoq increase in 2Q24 earnings.** We expect Muangthai Capital (MTC) to report a 2Q24 net profit of Bt1,557m, up 30% yoy and 12% qoq. We foresee a qoq decline in provision expenses in 2Q24. A fall in credit costs would be one of the key drivers of a decent earning outlook. In terms of pre-provision operating income (PPOP), we expect the company to post a 9% yoy and 3% qoq growth. With news of many plants shutting down in Thailand, the market is concerned that the finance sector will be impacted. Channel checks with MTC revealed that the company has few clients in this segment. Thus, the impact should be insignificant. We will continue to monitor the effect of this news.

KEY FINANCIALS

Year to 31 Dec (Btm)	2022	2023	2024F	2025F	2026F
Net interest income	16,386	19,644	22,227	26,375	30,787
Non-interest income	869	1,026	1,249	1,436	1,593
Net profit (rep./act.)	5,093	4,906	6,249	7,957	10,181
Net profit (adj.)	5,093	4,906	6,249	7,957	10,181
EPS (Bt)	2.4	2.3	2.9	3.8	4.8
PE (x)	18.4	19.1	15.0	11.8	9.2
P/B (x)	3.2	2.9	2.5	2.1	1.8
Dividend yield (%)	0.8	2.1	1.0	1.3	1.8
Net int margin (%)	15.6	15.1	14.3	14.6	n.a.
Cost/income (%)	46.8	46.9	47.5	46.6	46.5
Loan loss cover (%)	105.1	115.9	122.0	145.0	160.0
Consensus net profit	-	-	5,825	7,031	8,562
UOBKH/Consensus (x)	-	-	1.07	1.13	1.19

Source: Muangthai Capital, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	Bt44.25
Target Price	Bt56.00
Upside	+26.6%
(Previous TP)	Bt57.00)

COMPANY DESCRIPTION

The Company provides motorcycle, commercial/passenger cars, agriculture cars, 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):	93,810.0
Market cap (US\$m):	2,558.3
3-mth avg daily t'over (US\$m):	11.1

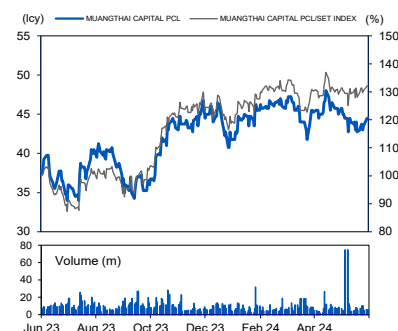
Price Performance (%)

52-week high/low	Bt48.00/Bt34.00				
1mth	3mth	6mth	1yr	YTD	
(1.7)	(3.8)	(1.7)	14.9	(1.7)	

Major Shareholders

Daonapa Petampai	34.0
Chuchat Petaumpai	33.5
Thai NVDR	7.7
FY24 NAV/Share (Bt)	17.55
FY24 Solvency Ratio (%)	0.83

PRICE CHART



Source: Bloomberg

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STOCK IMPACT

- **Expected to achieve loan growth target in 2024.** MTC posted a loan portfolio value of Bt147,587m in 1Q24, with a growth of 17% yoy and 3% qoq. Although the loan business in the first quarter usually experiences a low season due to year-end bonuses, MTC reported qoq loan growth in 1Q24. We expect MTC to report loan growth of 8% qoq in 2Q24. According to data from the Bank of Thailand (BOT), auto-title loans for the whole industry grew 30% yoy in Apr 24. We expect the Songkran festival on Apr 24 and the school semester starting on May 24 to boost the loan demand for auto-title loans in 2Q24. We expect MTC to achieve its loan growth target of around 15-20% in 2024.
- **A reduction in credit costs qoq will reaffirm a better asset quality outlook.** MTC reported 1Q24 credit costs of 312bp, down 34bp yoy and 50bp qoq. Based on historical data, credit costs peaked in 3Q23. We expect credit costs to decline by 39bp qoq in 2Q24 to around 273bp. Management guided that we should see a continued improvement in credit costs for the rest of this year. We expect non-performing loans (NPL) to remain stable in 2Q24 at 3.0%. MTC is targeting for NPL to be below 3.2% in 2024. We reckon that MTC's asset quality will continue to improve, and we are optimistic on MTC's asset quality outlook.
- We revised MTC's 2024-26 earnings forecasts downward by 1.3%, 0.1%, and 3.0% respectively, as we have a more conservative view on MTC's asset quality.

VALUATION/RECOMMENDATION

NET PROFIT FORECASTS

(Btm)	2024F	2025F	2026F
Old	6,330	7,968	10,497
New	6,249	7,957	10,181
% chg	-1.3%	-0.1%	-3.0%

Source: UOB Kay Hian

- **Maintain BUY with a lower target price of Bt56.00**, based on Gordon Growth Model. Our target price implies 3.2x 2024F P/B, which is around -0.5SD to its five-year average.

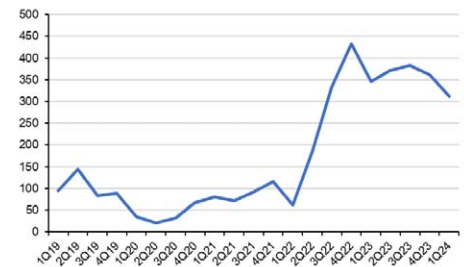
SHARE PRICE CATALYST

- A reduction in credit cost qoq to reaffirm the better asset quality outlook.
- Government disbursement to augment domestic spending power and better repayment.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG)

CG Report: 5
SET ESG Rating: A
<ul style="list-style-type: none"> • Environmental <ul style="list-style-type: none"> - Climate change. Creating TCFD-aligned information disclosure guide. - Net-zero emissions. Planning for net-zero emissions. - Resource policy. Establishing plans to control resource usage in operations. • Social <ul style="list-style-type: none"> - Emphasise customers. Feedback forms for better efficiency and satisfaction. - Foster a quality workforce. Enhancing recruitment, personnel and culture. - Protect human rights. Implementing policies to protect human rights. - Health and safety. Embracing a culture of safety and health in the workplace. • Governance <ul style="list-style-type: none"> - Good corporate governance. Building investor confidence and competitiveness. - Effective risk management. Guidelines for managing operational risks. - Data privacy and cybersecurity. Securing organisational data using information technology.

CREDIT COST (BP)



Source: MTC, UOB Kay Hian

PE BAND



Source: MTC, UOB Kay Hian

P/B BAND



Source: MTC, UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Interest income	23,500	27,605	32,253	36,674
Interest expense	(3,857)	(5,378)	(5,878)	(5,886)
Net interest income	19,644	22,227	26,375	30,787
Fees & commissions	921	1,106	1,293	1,450
Other income	105	143	143	143
Non-interest income	1,026	1,249	1,436	1,593
Total income	20,669	23,476	27,811	32,381
Staff costs	(9,702)	(11,155)	(12,961)	(15,065)
Other operating expense	0	0	0	0
Pre-provision profit	10,967	12,321	14,850	17,315
Loan loss provision	(4,841)	(4,512)	(4,904)	(4,589)
Pre-tax profit	6,126	7,810	9,946	12,727
Tax	(1,220)	(1,561)	(1,989)	(2,545)
Minorities	0	0	0	0
Net profit	4,906	6,249	7,957	10,181
Net profit (adj.)	4,906	6,249	7,957	10,181

OPERATING RATIOS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Capital Adequacy				
Total assets/equity (x)	4.7	4.9	4.6	4.3
Tangible assets/tangible common equity (x)	5.4	5.7	5.4	5.0
Asset Quality				
NPL ratio	3.1	3.0	3.0	3.0
Loan loss coverage	115.9	122.0	145.0	160.0
Loan loss reserve/gross loans	3.7	3.7	4.4	4.8
Increase in NPLs	0.0	0.0	0.0	0.0
Credit cost (bp)	366.8	286.6	267.9	223.0
Liquidity				
Loan/deposit ratio	188.1	187.1	186.3	184.5
Liquid assets/short-term liabilities	6.8	9.5	10.1	11.5
Liquid assets/total assets	1.9	2.7	2.8	2.9

BALANCE SHEET

Year to 31 Dec (Btm)	2023	2024F	2025F	2026F
Cash with central bank	2,822	4,942	5,617	6,605
Customer loans	138,149	165,303	186,127	206,708
Fixed assets (incl. prop.)	2,134	2,206	2,291	2,443
Other assets	7,051	8,775	9,764	10,725
Total assets	150,156	181,225	203,798	226,480
Customer deposits	41,330	51,891	55,643	57,248
Debt equivalents	73,440	88,345	99,920	112,046
Other liabilities	3,469	3,789	4,306	4,809
Total liabilities	118,239	144,024	159,870	174,103
Shareholders' funds	31,917	37,202	43,929	52,377
Minority interest - accumulated	0	0	0	0
Total equity & liabilities	150,156	181,225	203,799	226,480

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Growth				
Net interest income, yoy chg	19.9	13.2	18.7	16.7
Fees & commissions, yoy chg	16.3	20.1	16.9	12.1
Pre-provision profit, yoy chg	19.4	12.3	20.5	16.6
Net profit, yoy chg	(3.7)	27.4	27.3	28.0
Net profit (adj.), yoy chg	(3.7)	27.4	27.3	28.0
Customer loans, yoy chg	18.1	19.7	12.6	11.1
Profitability				
Net interest margin	15.1	14.3	14.6	n.a.
Cost/income ratio	46.9	47.5	46.6	46.5
Adjusted ROA	3.5	3.8	4.1	4.7
Reported ROE	16.1	18.1	19.6	21.1
Adjusted ROE	16.1	18.1	19.6	21.1
Valuation				
P/BV (x)	2.9	2.5	2.1	1.8
P/NTA (x)	3.5	3.1	2.6	2.1
Adjusted P/E (x)	19.1	15.0	11.8	9.2
Dividend Yield	2.1	1.0	1.3	1.8
Payout ratio	41.0	15.2	15.5	17.0
Year to 31 Dec (%)	2023	2024F	2025F	2026F

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