

Current	Previous	Close	2019 TP	Exp Return	THAI CAC	CG 2017
BUY	BUY	48.75	60.00	+23%	Declared	4

Consolidated earnings				
BT (mn)	2016	2017	2018E	2019E
Total revenue (Btm)	4,472	7,471	11,008	15,307
Total expenses (Btm)	3,008	4,970	7,200	9,919
Net profit	1,464	2,501	3,808	5,388
Spread	19.6	20.0	19.8	19.5
Net margin	32.7	33.5	34.6	35.2
EPS (Bt)-Basic	0.69	1.18	1.80	2.54
EPS (Bt)-Fully diluted	0.69	1.18	1.80	2.54
Growth (%)	76.9	71.0	52.2	41.5
PER (x) - Basic	70.7	41.3	27.1	19.2
PER (x) -Fully diluted	70.7	41.3	27.1	19.2
DPS (Bt)	0.10	0.18	0.27	0.38
Dividend yield (%)	0.2	0.4	0.6	0.8
BV/share (Bt)	3.16	4.22	5.83	8.11
P/BV (x)	15.4	11.6	8.4	6.0
Par (Bt)	1.00	1.00	1.00	1.00

Source: Company data, FSS estimates

Share data	
Sector	Finance & Securities
Close (02/10/2018)	48.75
SET Index	1,748.09
Foreign limit/actual (%)	49.00/6.53
Paid up shares (million)	2,120.00
Free float (%)	31.62
Market cap (Bt m)	103,350.00
Avg daily T/O (Bt m) (2018 YTD)	377.54
hi, lo, avg (Bt) (2018 YTD)	49.75, 30.50, 38.88

Source: SetSMARTS



Source: SET

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Clarity over regulatory risk serves as upside for loan yield

We have raised our 2019E net profit by 3% to Bt5.4bn (+42% Y-Y) because lending rate pressure has eased after the BoT's direction for car title loan operators is now clear. To elaborate, the Thai central bank has fixed an interest rate ceiling of no more than 28%. Moreover, it will automatically grant a permit for those that already have a license to operate personal loan. Given that, we have revised up our loan yield estimate. In the near term, we expect MTC's net profit to hit a new high of about Bt980mn (+8% Q-Q, +50% Y-Y) in 3Q18. In addition, we should see the company's net profit at above Bt1bn in 4Q18. We retain our BUY rating on MTC after we have rolled over to our 2019 TP of Bt60.

Clarity over lending rate unlocks concerns

We attended a meeting with MTC's management yesterday on the supervision over the car title loan business. To elaborate, there was a meeting between the BoT and a number of operators last Friday that a piece of legislation is in the process of a public hearing, i.e. until October 12. Moreover, it's anticipated that the aforementioned draft which will be published and become effective in November will be in line with the current guideline that has been mentioned in the news. In this regard, MTC will be able to instantly operate a car title loan business because the company already has a personal loan license. However, the Thai central bank fixes an interest rate ceiling at no more than 28% + actual collection fee. Meanwhile, a non-bank bill will also be published as a separate piece of legislation next year. It will control all businesses that are non-bank. However, it is believed that the said bill will no longer address an interest rate issue. In particular, it will entail guidelines for controls and reports. We view that this is positive for MTC. First, it unlocks regulatory concerns. Currently, MTC is charging a lending rate of 23%, well below the rate fixed in the aforementioned draft, while it's anticipated that MTC will keep its rate unchanged. Second, there is room for MTC to hike its lending rate, particularly in this upward interest rate outlook. Previously, it's predicted that it will be difficult to revise up the lending rate. Third, there is a chance that MTC will gain market share in the near term from smaller operators which will see tighter controls. What's more, they have to apply for a permit and come up with sufficient capital as requested by the law. As a result, it's likely that MTC's loans in 4Q18-2Q19 will be higher than previously expected and larger than normal, while the impact from a non-bank bill will be just a contract with more details.

Net profit set to hit new high in both 3Q18 and 4Q18

In 3Q18, MTC's net profit looks set to be equal to Bt980mn (+7.5% Q-Q, +51% Y-Y), another new high. Such gains should be made possible by the lending industry's high season. In this regard, we expect loans to jump by 40% Y-Y after the number of branches increased to about 3000 (from 2880 in 2Q18). What's more, we should see the company's net profit at above the Bt1bn level in 4Q18. Given that, we stand by our 2018E net profit of Bt3.8bn (+52% Y-Y).

Raise 2019E net profit and maintain BUY rating

However, we have raised our 2019E net profit by 3% to Bt5.4bn (+41.5% Y-Y) to factor in mainly a rise in our loan yield estimate to 23% (from 22.5%) after interest rate pressure has eased. Such forecast assumes a loan growth rate of 35% (from 40%), which is higher than the company's target of 30%, cost-to-income ratio of 38%, and credit cost of 1.6%. Finally, we retain our BUY rating on MTC after we have rolled over to our 2019 TP of Bt60. It assumes a PER of 23.5x (3Y growth) and 2019 prospective EPS of Bt2.54.

Income Statement (Consolidated)

(Bt mn)	2015	2016	2017	2018E	2019E
Interest income	2,225	4,019	6,795	10,037	13,959
Fee and service income	317	436	642	931	1,303
Other income	17	17	34	40	45
Total revenue	2,559	4,472	7,471	11,008	15,307
Service expenses	1,269	1,985	2,989	4,403	5,817
Admin expenses	6	15	24	33	31
Total SG&A	1,275	2,000	3,013	4,436	5,847
Provision	25	332	679	676	941
EBIT	1,259	2,140	3,779	5,895	8,519
COF	228	328	673	1,136	1,784
EBT	1,032	1,812	3,106	4,759	6,735
Tax	207	348	605	952	1,347
Net profit	825	1,464	2,501	3,808	5,388

Important Ratios (Consolidated)

	2015	2016	2017	2018E	2019E
Growth (%)					
Revenues	37.9	74.8	67.1	47.3	39.1
SG&A	42.3	56.9	50.6	47.3	31.8
Net profit	51.6	77.5	70.8	52.3	41.5
Profitability Ratios (%)					
Gross profit margin	0.0	0.0	0.0	0.0	0.0
Net profit margin	32.2	32.7	33.5	34.6	35.2
Normalized ROA	7.5	7.8	8.1	8.4	8.6
Normalized ROE	15.3	23.7	32.0	35.7	36.5
Risk (x)					
D/E (x)	1.3	2.6	3.0	3.4	3.4
Net D/E (x)	1.3	2.6	3.0	3.4	3.5
Per share data (Bt)					
EPS basic	0.39	0.69	1.18	1.80	2.54
EPS FD	0.39	0.69	1.18	1.80	2.54
Book value	2.67	3.16	4.22	5.83	8.11
Dividend	0.20	0.10	0.18	0.27	0.38
Par	2.00	3.00	4.00	5.00	6.00
Valuations (x)					
P/E	125.00	70.65	41.31	27.14	19.18
Norm P/E	125.00	70.65	41.31	27.14	19.18
P/BV	18.29	15.44	11.56	8.36	6.01
Dividend yield (%)	0.41	0.21	0.37	0.55	0.78

Balance Sheet (Consolidated)

(Bt mn)	2015	2016	2017	2018E	2019E
Cash and Cash equivalent	153	539	1,154	500	800
Loan outstanding	12,630	23,541	35,623	51,653	69,731
Account					
Receivables	15	0	0	0	0
Other Current Assets	38	92	127	139	153
Restricted deposit	3	5	7	5	5
PP&E	520	772	1,022	1,175	1,352
Total assets	13,083	24,426	36,953	53,605	72,180
Account payable	3,218	10,288	6,721	8,650	10,600
Other Current					
Liabilities	248	450	868	1,024	976
Total Current					
Liabilities	4,035	13,100	11,350	14,674	17,576
Financial lia - LT	3,368	4,599	16,619	28,200	42,500
Personal contingent liab.	23	27	41	48	55
Other LT Liabilities	5	8	0	8	8
Total LT Liabilities	3,396	4,634	16,660	28,256	42,563
Total Liabilities	7,431	17,733	28,010	42,930	60,139
Paid up capital	2,120	2,120	2,120	2,120	2,120
Share premium	2,380	2,380	2,380	2,380	2,380
Legal reserve	109	184	212	402	672
Other reserve	0	0	0	0	0
Retained earnings	1,043	2,008	4,231	7,467	12,015
Shareholder Equity	5,652	6,692	8,943	12,369	17,186

Source: Company data, FSS research

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130-132 Sindhorn Building 1,
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Kian Gwan (Sindhorn 2)

140/1 Kian Gwan House II
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Bangkok

Sindhorn 3

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Ladprao

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Prachachuen

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Rang sit

1/832 Moo 17
Kukod, Lumlookka
Pratumtee

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Sriracha

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Khonkaen 1

311/16 2nd Floor, Klangmeung
Road, Tumbon Nai Meung,
Aumphoe Meung,
Khonkaen

Khonkaen 2

26/9 Moo 7, 2nd Floor
Sri Chant Mai Road,
Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
Khonkaen

Khonkaen 3

311/1
Khang Meung Road,
Tumbon Nai Meung,
Aumphoe Meung Khonkaen,
Khonkaen

Udonthani

197/29, 213/3
Udon Dusadee Road,
Tumbon Mak Khaeng,
Aumphoe Muang Udon Thani,
Udon Thani

Chiangmai 1

308 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 2

310 Chiang Mai Land,
Chang Klan R., Chang Klan
Muang
Chiangmai

Chiangmai 3

Maliplace Building 32/4 moo 2
1 fl., Room B1-1, B1-2
Tumbon Maehia
Chiangmai

Chiangrai

353/15 Moo 4,
Tumbon Rimkok
Aumphoe Muang, Cheangrai

Measai

119 Moo 10,
Tumbon Maesai,
Aumphoe Muang, Cheangrai

Nakornratchasima

1242/2 Room A3, 7 fl.,
The Mall Ratchasima
Mitrphap road Tumbon Nai Muang
Aumphoe Muang Nakornratchasima
Nakornratchasima

Samutsakorn

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Tumbon Maha Chai,
Aumphoe Meungsamutsakorn,
Samutsakorn

Phuket

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Amphoe Muang Phuket,
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Hatyai 2

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Aumphoe Hadyai, Songkhla

Hatyai 3

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Building, Niphat Uthit 3 Road,
Aumphoe Hadyai, Songkhla

Trang

59/28 Huaiyod Road,
Tumbon Thaptieng,
Aumphoe Meungtrang, Trang

Suratthani

173/83-84 Moo 1
Watpho-Bangyai Road.,
Tumbon Makamtia,
Aumphoe Mueang, Suratthani

Pattane

300/69-70 Moo 4,
Tumbon Rusamirae,
Aumphoe Meung, Pattane

Recommendation Definitions

BUY	The latest close is below our target price and the estimated upside is 10% or more.
HOLD	The latest close is below our target price and the estimated upside is 0-10%.
SELL	The latest close is above our target price.
TRADING BUY	The latest close is above our target price but the price is expected to be driven by short-term positive factors
OVERWEIGHT	The estimated return is higher than the market average.
NEUTRAL	The estimated return is the same as the market average.
UNDERWEIGHT	The estimated return is lower than the market average






Note: The expected return may change as market risks increase or decline.

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Thai Institute of Directors Association (IOD) - Corporate Governance Report Rating 2017

Score Range	Rating	Description
100-90		Excellent
80-89		Very Good
70-79		Good
60-69		Satisfactory
50-59		Pass
<50	no logo given	n/a

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Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

1 CG Score 2017 from Thai Institute of Directors Association (IOD)

2 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors

(as of July 31, 2017) are categorised into:

- companies that have declared their intention to join CAC, and
- companies certified by CAC.