

SECTOR UPDATE

Finance – Thailand

Asset Quality Outlook Remains Positive Thanks To Decent Quality Control

The sector reported 1Q25 earnings of Bt5.75b, up 4.0% yoy and 1.0% qoq, in line with our and consensus estimates. All companies have turned to prioritising good asset quality over loan growth in 2025, and foresee solid momentum in that area. We have also seen some capital management in the sector. We remain positive on the asset quality outlook for the sector amid economic uncertainties thanks to decent asset quality control. Maintain OVERWEIGHT. Our top pick is MTC.

WHAT'S NEW

- Sector profit increased yoy and qoq.** In 1Q25, finance companies under our coverage reported a combined net profit of Bt5.75b, up 4% yoy and 1% qoq, in line with our and consensus estimates. The sector's pre-provision operating profit (PPOP) was down 1% yoy and 2% qoq. The sector's total loans expanded 4% yoy but fell 1% qoq in 1Q25.
- Prioritising good asset quality rather than loan growth.** The loan growth in 1Q25 for finance operators was quite soft qoq. Muangthai Capital (MTC) and Tidlur Holdings (TIDLOR) reported a positive loan growth qoq in 1Q25 by 2.0% and 1.0%, respectively. Meanwhile, Srisawad Corporation (SAWAD) and Krungthai Card (KTC) reported a loan contraction qoq in 1Q25 by 3.0% and 4.0%, respectively. The highest loan target in 2025 is MTC with 10-15%. However, SAWAD revised the 2025 loan growth target from 10-15% to 5.0-10%. TIDLOR guides the company to grow loan growth, beating the prior year of 6.6%. Meanwhile, KTC might miss the 2025 loan growth target of 4.0-5.0%. Overall, the tone is quite conservative. Finance operators will remain cautious and focus on good asset quality rather than loan growth in 2025, which is a good sign in our view.
- More cautious on quality but foresee good momentum for asset quality.** Although the economy is forecast to worsen for the rest of 2025, some finance operators expect positive momentum for asset quality in the foreseeable period. MTC guides that the company's outlook is approaching good momentum, and it expects smooth sailing over the next two quarters. For TIDLOR, management was quite positive on the business outlook for 2025, at least through 3Q25. Meanwhile, SAWAD expects that its written-off receivables will reach their peak in 1Q25. We will monitor the development in SAWAD's asset quality closely. Overall, we remain positive on the asset quality outlook for the finance sector due to the decent asset quality control.
- See some capital management but not across the finance sector.** Aeon Thana Sinsap (Thailand) (AEONTS), one of our coverages in the finance sector, announced a share repurchase program for financial management purposes in the maximum amount not exceeding Bt390m, and the number of shares to be repurchased is approximately 1.00% of the total issued shares (2.5m shares). The period covers 6 months, starting from 22 May 25 to 21 Nov 25. The implied share repurchase price is Bt156.00 per share. Meanwhile, SAWAD guided to pay a cash dividend this year instead of a stock dividend, as they have done previously. Therefore, we should see a higher dividend payout ratio at the 30-50% level. We expect MTC and KTC will not kick off a share buyback program due to an expensive P/B.

ACTION

- Maintain OVERWEIGHT.** The sector trades at 1.5x 2025F P/B, or -1.5SD to its five-year mean. The sector's valuation is quite undemanding. Our top pick is MTC.

PEER COMPARISON

Company	Rec.	Last Price 19 May	Target Price (Bt)	Upside Downside (%)	Market Cap (US\$m)	Net Profit 2025F (Btm)	Net Profit 2026F (Bt m)	PE 2025F (x)	PE 2026F (x)	Net EPS Growth 2025F (%)	P/B 2025F (x)	Yield 2025F (%)	ROE 2025F (%)
KTC TB	BUY	40.00	58.00	45.0	3,118	7,701	8,406	13.4	12.3	3.5	2.3	3.4	18.4
MTC TB	BUY	41.00	58.00	41.5	2,628	6,923	8,052	12.6	10.8	18.0	2.0	0.7	17.2
SAWAD TB	BUY	20.70	32.00	54.6	945	4,671	5,125	7.7	7.0	(15.9)	0.9	0.2	13.2
TIDLOR TB	BUY	15.40	21.00	36.4	1,356	4,930	5,444	8.9	8.1	16.5	1.2	3.3	15.0
Sector					8,047	24,225	27,027	11.0	9.8	7.3	1.9	2.1	16.8

Source: UOB Kay Hian

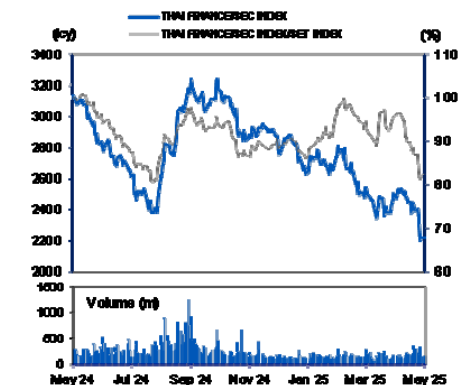
OVERWEIGHT (Maintained)

OUR TOP PICK

Company	Ticker	Rec	Target Price (Bt)	Current Price 19 May
Muangthai Capital	MTC	BUY	58.00	41.00

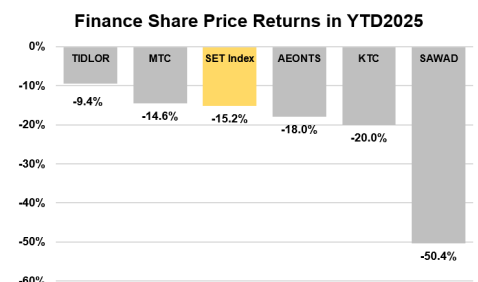
Source: UOB Kay Hian

RETURN: CONSUMER FINANCE VS SET



Source: UOB Kay Hian

FINANCE VS SET INDEX WITH YTD RETURNS



Source: Bloomberg, UOB Kay Hian

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ESSENTIALS

- **MTC: No surprises; everything in line with prior guidance.** MTC reported a 1Q25 net profit of Bt1.57b, in line with our and market expectations. The company's net profit increased by 13% yoy and 2.0% qoq. MTC's credit costs decreased significantly qoq. The non-performing loan (NPL) ratio also fell qoq in 1Q25, and MTC's asset quality improved through an increase in loan loss coverage (LLC) ratio from 135% in 4Q24 to 138% in 1Q25. The company's PPOP grew 2.0% yoy but fell 4.0% qoq.

Management stated that everything is in line with prior guidance, and company outlook is approaching good momentum. The company intends to raise its coverage ratio to cushion the potential impact of an uneven economic recovery and future uncertainties. We reckon that MTC's asset quality will continue improving, and we are optimistic about its outlook. MTC is our top pick in the finance sector.

- **SAWAD: Taking a more conservative approach and prioritising good asset quality.** SAWAD reported its 1Q25 earnings of Bt1.1b, down 13% yoy and 10% qoq. The results are below our and consensus expectations by 8.0%. The company's loans contracted 8.0% yoy and 3.0% qoq. Non-interest income (non-II) decreased 12% yoy and 3.0% qoq while credit costs increased qoq. The non-performing loan (NPL) ratio increased qoq, approaching the higher end of its 2025 NPL ratio target of 3.0-4.0%. Excluding provision expenses, the company's PPOP fell by 12% yoy and 7.0% qoq.

Management will be more conservative and prioritise good asset quality, as opposed to focusing on growth. The company revised its 2025 loan growth targets to 5.0-10% yoy. Management guided to pay a cash dividend this year instead of a stock dividend.

- **TIDLOR: Ringing in the Tidlor Holdings era with a brighter business outlook.** Tidlor Holdings (TIDLOR) reported a net profit of Bt1.22b in 1Q25, up 10% yoy and 17% qoq. The results beat our expectations by 9.0% and consensus forecasts by 8.0%. The lower-than-expected provision expenses were the key item and a pleasant surprise for our forecast. Excluding provision expenses, TIDLOR's PPOP rose 4% yoy and 14% qoq.

Management is bullish on the company's growth outlook, with no foreseeable immediate red flags or concerns. The restructuring will allow the company to be more capital-efficient, and we expect there to be a higher cash dividend. TIDLOR Holdings (TIDLOR TB) has been traded since 15 May 25.

- **KTC: Removal from the MSCI Global Standard Index caused share prices to dip, but business outlook and fundamentals remain solid.** KTC posted a 1Q25 net profit of Bt1.86b, up 3.0% yoy but down 2.0% qoq. The results were in line with our and consensus estimates. The company's PPOP rose 1.0% yoy but fell 3.0% qoq.

Management is maintaining its 2025 financial year targets and is committed to prioritising good asset quality. The possible reasons for removal from the Index might be that a) MSCI is reducing the weight on Thai stocks, and b) the share price reduction lowered KTC's market cap. Although the removal from the Index tanked the share price, business outlook and fundamentals remain solid.

1Q25 RESULTS VS FORECASTS

	1Q25 Net profit (Btm)			Actual vs. Forecast	
	Actual	UOBKH	Consensus	UOBKH	Consensus
MTC	1,571	1,639	1,564	In-line	In-line
SAWAD	1,100	1,195	1,201	Below	Below
TIDLOR	1,218	1,117	1,131	Above	Above
KTC	1,861	1,900	1,912	In-line	In-line
Total	5,750	5,850	5,808	In-line	In-line

Source: Bloomberg, UOB Kay Hian

2025 FINANCIAL TARGETS

	MTC	SAWAD	TIDLOR	KTC
Loan Growth	10-15%	5-10%	> 6.6%	4-5%
Cost to Income	47 - 48%	N/A	N/A	< 38%
Cost of fund	Max 4.6% in 1H25	N/A	N/A	+10-20bp
NPL Ratio	< 2.7%	3-4%	< 2.0%	< 2.00%
Credit Cost	< 2.7%	1.8-2.0%	< 3.0%	5-6%

Source: Respective companies, UOB Kay Hian

SENSITIVITY TO 25BP POLICY RATE CUT

	Net Profit	NIM
MTC	+3.2%	+11bp
SAWAD	+5.5%	+21bp
TIDLOR	+4.0%	+16bp
KTC	+3.4%	+11bp
AEONTS	+4.7%	+21bp

Source: Respective companies, UOB Kay Hian

CREDIT COST MOVEMENTS (BP)

	1Q24	2Q24	3Q24	4Q24	1Q25
MTC	312	304	311	281	241
SAWAD	194	218	200	170	184
TIDLOR	328	357	391	272	296
KTC	623	644	612	658	588
Average	364	381	379	345	327

Source: Respective companies, UOB Kay Hian

SECTOR P/B BAND



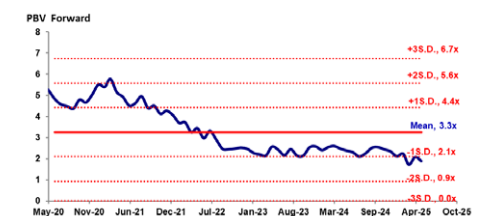
Source: UOB Kay Hian

MTC'S PE BAND



Source: UOB Kay Hian

MTC'S P/B BAND



Source: UOB Kay Hian

1Q25 RESULTS WRAP-UP

	1Q25	4Q24	1Q24	qoq (%)	yoy (%)	2025F	2024	yoy (%)
Net profit (Btm)								
MTC	1,571	1,543	1,389	1.9	13.1	6,923	5,867	18.0
SAWAD	1,100	1,225	1,261	(10.2)	(12.8)	4,671	5,052	(7.5)
TIDLOR	1,218	1,044	1,104	16.6	10.3	4,930	4,230	16.5
KTC	1,861	1,889	1,803	(1.5)	3.2	7,701	7,437	3.5
Total	5,750	5,701	5,558	0.9	3.5	24,225	22,587	7.3
Pre-provision operating profit (Btm)								
MTC	2,569	2,679	2,523	(4.1)	1.8	11,385	10,509	8.3
SAWAD	1,872	2,022	2,131	(7.4)	(12.2)	7,983	8,544	(6.6)
TIDLOR	1,990	1,746	1,913	14.0	4.0	8,178	7,651	6.9
KTC	3,992	4,133	3,943	(3.4)	1.3	15,779	16,027	(1.6)
Total	10,423	10,580	10,511	(1.5)	(0.8)	43,325	42,732	1.4
Total loans (Btm)								
MTC	167,560	164,242	147,587	2.0	13.5	185,266	164,242	12.8
SAWAD	93,397	96,103	101,831	(2.8)	(8.3)	97,149	96,103	1.1
TIDLOR	104,719	103,934	100,133	0.8	4.6	111,925	103,934	7.7
KTC	106,373	110,434	104,690	(3.7)	1.6	113,394	110,434	2.7
Total	472,050	474,713	454,241	(0.6)	3.9	507,734	474,713	7.0
NIM (%)								
MTC	13.6	14.0	14.4	-44bp	-82bp	13.7	14.4	-64bp
SAWAD	14.2	14.5	15.2	-32bp	-100bp	13.9	15.1	-118bp
TIDLOR	15.4	15.7	15.5	-23bp	-1bp	15.8	15.8	-8bp
KTC	13.1	13.5	13.2	-40bp	-5bp	13.5	13.0	50bp
Average	14.1	14.4	14.6	-35bp	-47bp	14.2	14.6	-35bp
NPL ratio (%)								
MTC	2.7	2.8	3.0	-6bp	-34bp	2.7	2.8	-3bp
SAWAD	3.8	3.6	3.2	18bp	53bp	4.0	3.6	41bp
TIDLOR	1.8	1.8	1.6	-2bp	18bp	1.8	1.8	1bp
KTC	2.0	2.0	2.0	2bp	-2bp	1.9	2.0	-3bp
Average	2.6	2.5	2.5	3bp	8bp	2.6	2.5	9bp
Loan loss coverage ratio (%)								
MTC	138	135	121	3ppt	17ppt	130	135	-5ppt
SAWAD	61	67	63	-6ppt	-2ppt	68	67	1ppt
TIDLOR	256	243	264	13ppt	-8ppt	252	243	9ppt
KTC	385	369	354	15ppt	31ppt	385	369	16ppt
Average	210	204	200	6ppt	9ppt	209	204	5ppt
Credit cost (bp)								
MTC	241	281	312	-40bp	-71bp	255	302	-47bp
SAWAD	184	170	199	13bp	-15bp	200	196	3bp
TIDLOR	296	272	328	24bp	-32bp	301	340	-39bp
KTC	588	658	623	-70bp	-34bp	555	609	-54bp
Total	327	345	365	-18bp	-38bp	328	362	-34bp

Source: UOB Kay Hian

EARNINGS REVISION

- No earnings revision.

SAWAD'S PE BAND



Source: UOB Kay Hian

SAWAD'S P/B BAND



Source: UOB Kay Hian

TIDLOR'S PE BAND



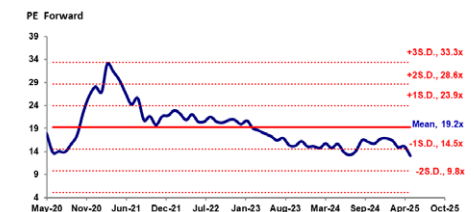
Source: UOB Kay Hian

TIDLOR'S P/B BAND



Source: UOB Kay Hian

KTC'S PE BAND



Source: UOB Kay Hian

KTC'S P/B BAND



Source: UOB Kay Hian

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