BUY

Initiation

TP: Bt 100.00

Upside : 25.4%

11 APRIL 2022

Thanachart Securities

JMT Network Services (JMT TB)

A snowball effect

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We initiate on JMT with a BUY rating and TP of Bt100. We view JMT, Thailand's largest unsecured bad debt management company, as a growth stock with a snowballing cash collection booking cycle that we see underpinning a 36% three-year EPS CAGR in 2022-24F.

Initiating with a BUY call and TP of Bt100

We initiate coverage of JMT with a BUY call and a 2022F DCF-based TP of Bt100. ***First***, JMT is the biggest unsecured bad debt management company in a sunrise industry in which there is an oversupply of NPLs. It is efficient and highly profitable, with a payback period of less than four years. ***Second***, we believe JMT is entering the next phase of growth, where the payback period of the majority of its bad debt portfolio has passed, allowing it to book its expanding cash collection pool as earnings. We forecast its earnings to double from 2022F to 2024F for a 36% three-year EPS CAGR. ***Lastly***, as cash collection is key to this business, we argue that JMT is inexpensive with EV-to-net cash collection ratios of 25/19x for 2022-23F.

Well-established and highly profitable firm

JMT was established in 1994 as a debt collection firm and expanded to become a bad debt management company in 2006. JMT has a 90%-plus market share in the unsecured bad debt market, with a client base of 4m and 2,000-3,000 staff. JMT has a track record of efficient operation, with an average payback period of less than four years. Around 95% of its Bt16.4bn investment (Bt207bn face value) during 2006-20 has passed the payback period, allowing JMT to book its cash collection as earnings. Its efficient operations are reflected in its 2021 net profit margin of 38%, which we forecast to rise to 52% in 2024F.

Next phase of growth

JMT has increased its debt acquisition base from an average of Bt922m p.a. (vs. Bt846m cash collection) in 2016-19 to Bt3.5bn (vs. Bt3.7bn) in 2020 and Bt8.5bn (vs. Bt4.6bn) in 2021. Already big in the unsecured market, JMT is expanding its growth opportunity in the much larger secured market, with 50% of its last investment in 2021 being secure bad debt. We forecast Bt10bn p.a. capex over 2022-25F. Factoring in dilution from its rights offering in December 2021 and JMT-W3, we forecast a three-year EPS CAGR of 36% over 2022-24F. JMT has set up two JVs with KASIKORNBANK (KBANK, Bt156.50, BUY); we consider these to present upside to our numbers.

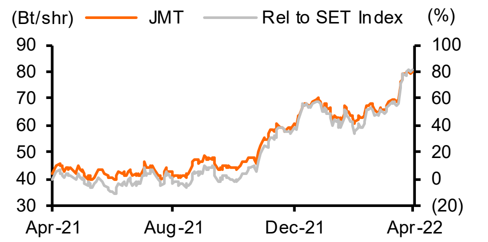
Justified premium

Given its 36% EPS CAGR, rising ROE, and low gearing, JMT is a solid fundamental growth company, in our view. Its PE ratios of 57/38x for 2022-23F seem high but don't reflect its real cash flow streams at a 27%-plus cash collection yield rate and its growth outlook on its higher investment base. We prefer to look at JMT's EV to net cash collection ratios of 25/19x for 2022-23F, on which it looks inexpensive. We compare JMT to Bangkok Commercial Asset Management (BAM, Bt20.00, BUY) inside this report.

COMPANY VALUATION

Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Total Income	3,625	4,520	6,046	7,983
Net profit	1,400	2,059	3,081	4,196
Consensus NP	—	2,079	2,844	3,516
Diff frm cons (%)	—	*(1.0)*	*8.3*	*19.4*
Norm profit	1,400	2,059	3,081	4,196
Prev. Norm profit	—	2,059	3,081	4,196
Chg frm prev (%)	—	*0.0*	*0.0*	*0.0*
Norm EPS (Bt)	1.1	1.4	2.1	2.9
Norm EPS grw (%)	33.7	24.6	49.6	36.2
Norm PE (x)	70.8	56.8	38.0	27.9
EV/Net cash collection (x)	29.0	25.4	18.5	14.2
P/BV (x)	6.1	4.9	4.7	4.5
Div yield (%)	1.0	1.4	2.1	2.9
ROE (%)	11.3	9.6	12.6	16.4
Net D/E (%)	(5.5)	7.8	33.2	52.2

PRICE PERFORMANCE



COMPANY INFORMATION

Price: (Bt) *as of* 11-Apr-22	79.75
Market Cap (US$ m)	3,485.8
Listed Shares (m shares)	1,467.3
Free Float (%)	46.9
Avg. Daily Turnover (US$ m)	18.8
12M Price H/L (Bt)	79.75/39.56
Sector	Finance
Major Shareholder	JMART 53.80%

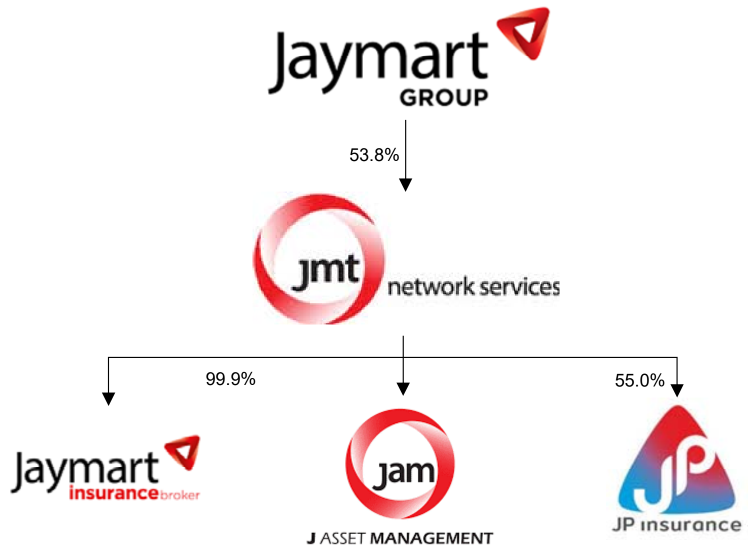
Sources: Bloomberg, Company data, Thanachart estimates

Well-established and highly profitable firm

AMC is JMT's main business and key earnings source

JMT Network Services (JMT) was established in 1994 as a debt collection firm. It offers debt collection tracking of both secured and unsecured loans to many financial institutions. The company expanded to become a bad debt management company (AMC) in 2006, with its initial investment of Bt39m to acquire Bt1bn of unsecured NPLs. JMT expanded into personal loans and the hire purchase business but ceased operations in these segments in 2017. It entered the non-life insurance business in 2018 and the business is still active.

Ex 1: JMT's Group Structure



Source: Company data

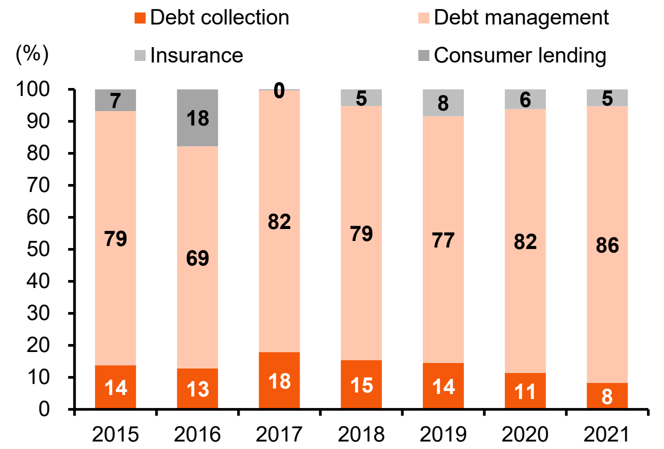
JMT sees debt collection as a recurring and cash-cow business. Given debt collection's low margins and heavy consumption of manpower, JMT is not keen to grow the business aggressively. Rather, it remains active in the business to service existing customers and monitor the dynamics of the bad debt industry. Besides, the insurance business is still very small. Over 60% of premiums still come from the motor segment, and the insurance business started realizing profits from 2020.

Ex 2: JMT's Business At A Glance

	Debt Tracking and Collection Services	Non Performing Debt Management	Insurance Brokerage and Non-life insurance
Business and Clients			
Market Positon	▪ No.1 in debt tracking and collection services	▪ No.1 in unsecured non -performing debt management	▪ Initial stage
Strength	▪ Well trained starff ▪ IT and data base system ▪ Award winner for debt collection services	▪ Proven track record and more than 20 years of experience ▪ Data base system	▪ Connect through synergy channel of Jaymart Group

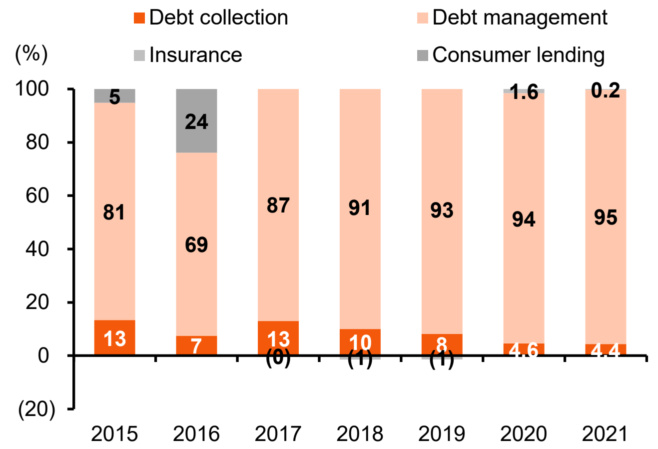
Source: Company data

Ex 3: Total Revenue Breakdown



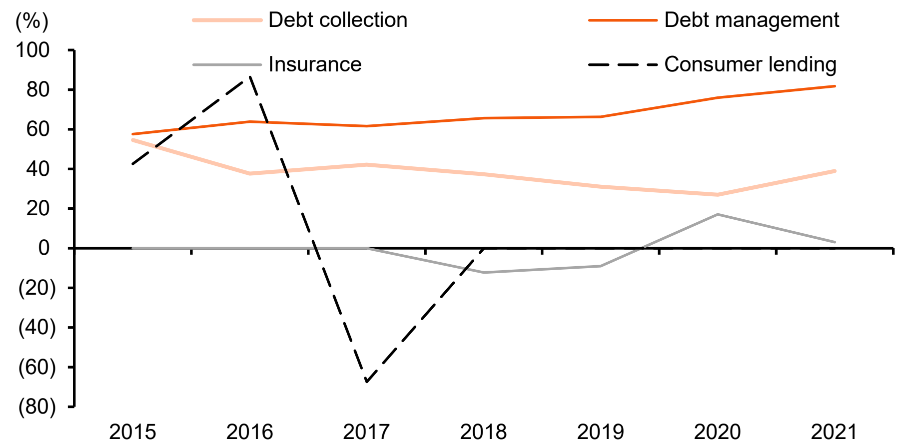
Source: Company data

Ex 4: Gross Profit Breakdown



Source: Company data

Ex 5: Gross Margin By Business

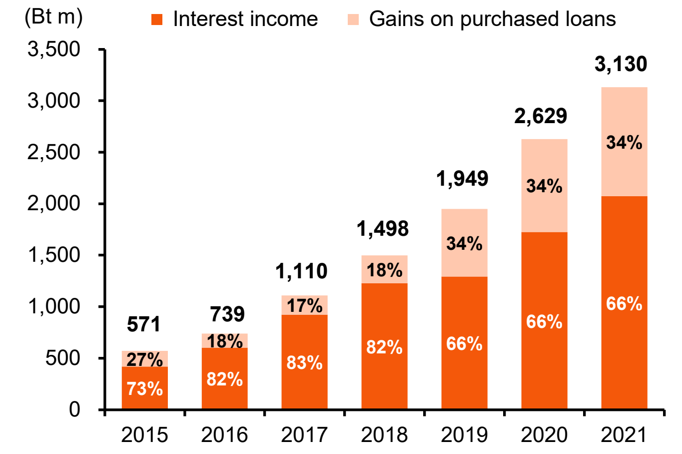


Source: Company data

AMC has been JMT's main business and earnings source since 2011

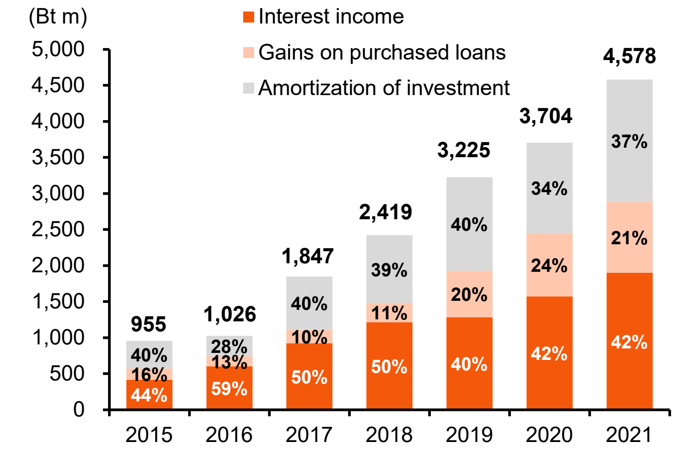
The AMC has been JMT's main business and major earnings source since 2011. JMT is the biggest unsecured bad debt management company in Thailand, capturing over 90% of unsecured debt acquisition. It started increasing its penetration to secured NPLs from 2017. Its business model is simple: it acquires unsecured consumer NPLs at steep discounts to face value, and offers reasonable repayment schedules with borrowers to cover investments costs and settle remaining liabilities. JMT's debt management revenues come from two areas: interest income and gains on purchased loans. Every baht of loan repayment JMT collects from borrowers goes firstly to amortize the cost of loans, and the residual is then realized as interest income. Whenever the loan repayment exceeds the cost of loans, JMT will recognize it as a gain on purchased loans. Of its total debt collection revenues in 2021, 66% was from interest income and 34% from gains on purchased loans. The ratio was 82%:18% in 2018.

Ex 6: Breakdown Of Debt Management Revenues



Source: Company data

Ex 7: Cash Collection Breakdown

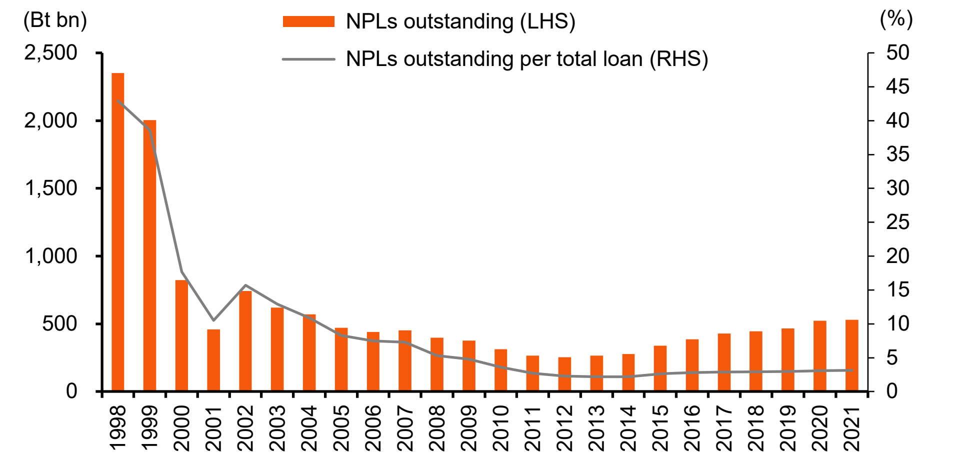


Source: Company data

Abundant NPL supply

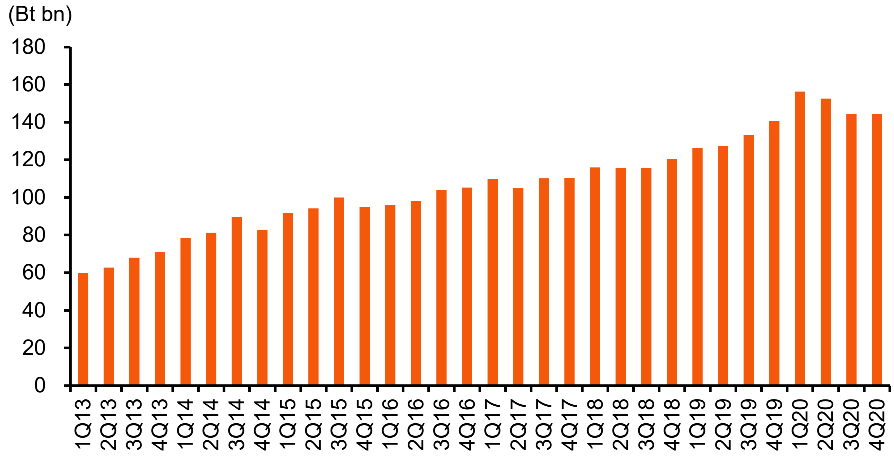
We like the AMC's business as we see it as a sunrise industry. With an oversupply of NPLs amid few big AMCs, this is a buyer's market. This characteristic also answers the question of why leading AMCs like BAM and JMT can sustain their pricing discipline. NPLs outstanding stood at Bt531bn or 3.1% of system loans in 2021. Supported by the BoT's debt forbearance programs during 2020-21, NPLs of consumer loans were quite stable, at c. Bt144bn over the past two years. With the programs coming to an end and a deadline for banks to restructure Covid-19 affected NPLs in 1Q22, we expect the system-wide NPL ratio to reach 4%, likely by 2023.

Ex 8: Total NPLs Outstanding



Source: Bank of Thailand

Ex 9: NPLs Of Consumer Loans



Source: Bank of Thailand

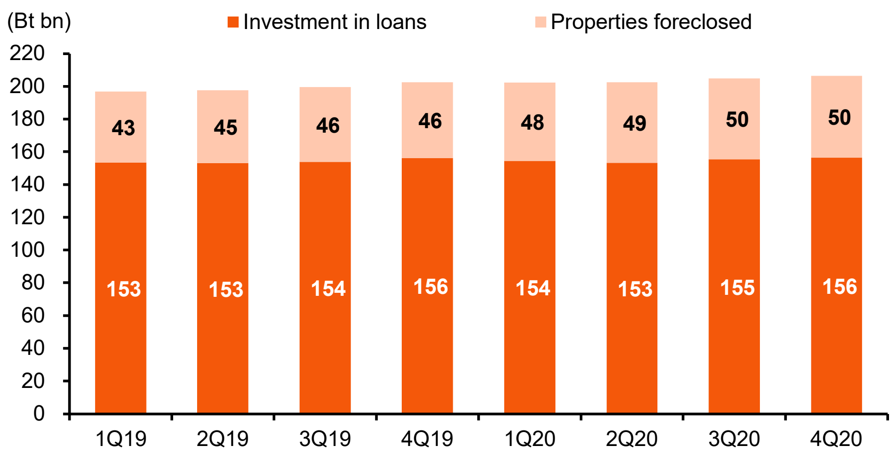
Under-penetrated due to capital constraints

While the supply of NPLs is abundant and growing, the AMC cannot keep on the acquisition path. This is a capital-intensive and time-consuming business. JMT has taken around 2-4 years to pay back its investments. BAM's payback period is longer, at 7-8 years. Exhibits 8-9 show the big picture of asset acquisitions by the AMC industry in Thailand. These are system-wide figures i.e. including captive AMCs that are subsidiaries of banks. Investments are booked at cost. The right over claims is much higher than the net investment in loans, but even so these are still small as compared with NPLs outstanding in the system.

JVAMC to tackle debt acquisition bottleneck

We believe the BoT's JVAMC regulation is aimed at tackling this debt acquisition bottleneck problem. The JV will be more positive for banks than AMCs, in our view. Banks can transform NPLs into performing loans as they are lending to the JV to acquire assets. Given banks still need the expertise of AMCs, the JV's benefits to AMCs are lower upfront investment costs, additional recurring management fees, and profit sharing. JMT has been in discussions with KASIKORN BANK (KBANK TB, Bt156.50, BUY) for some time and finalized the establishment of two JVs (one for debt collection, the other for AMC business) in March 2022. The JVAMC is in process of applying for an AMC license. JMT expects the JV's operations to start in 2H22.

Ex 10: Thai AMCs' Investments In NPLs And NPAs



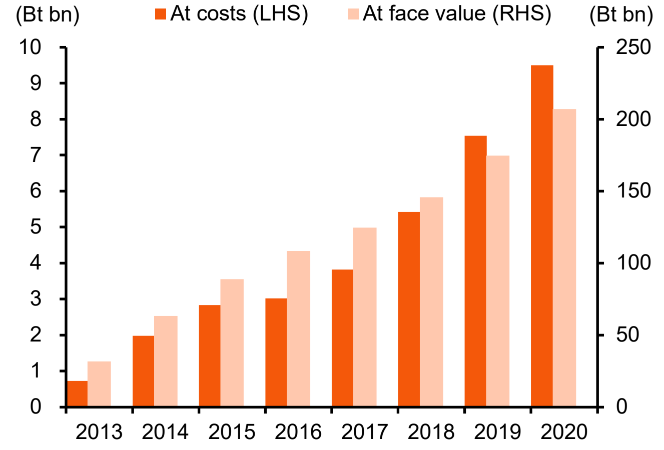
Source: Bank of Thailand

Well-established player in a sunrise industry

With over 20 years of experience, JMT is a well-established player, with a 90%-plus share of unsecured NPLs, a database of 4m clients, and 2,000-3,000 staff. Hence, we believe the company is poised to ride the growth of the sunrise bad debt management industry.

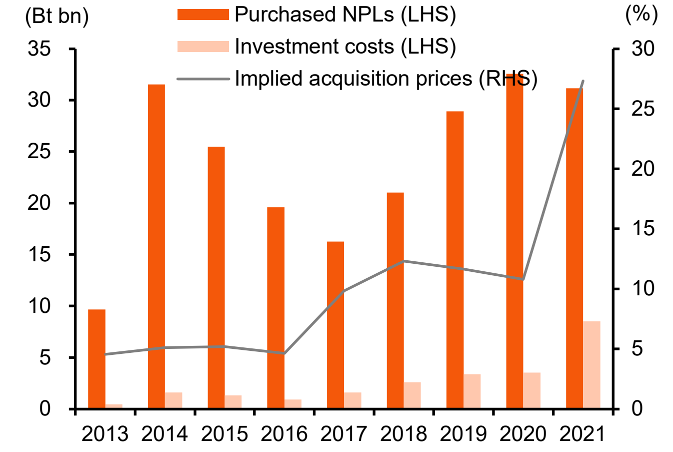
JMT has a proven record of efficient operations, with an average payback period of less than four years. Around 95% of its Bt16.4bn investment (Bt207bn face value) made during 2006-20 has passed the payback period, and JMT can book its cash collection as earnings. JMT is in a snowballing cash collection booking cycle, and we believe it has entered the next phase of growth from 2021.

Ex 11: Debt Acquisitions Outstanding



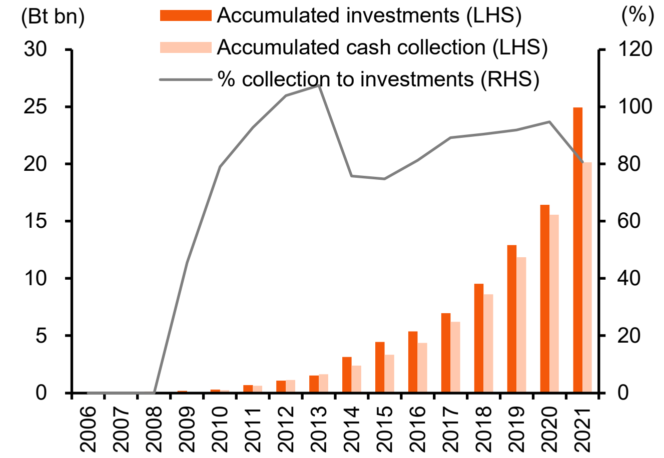
Source: Company data

Ex 12: Purchasing NPLs Vs Investment Costs



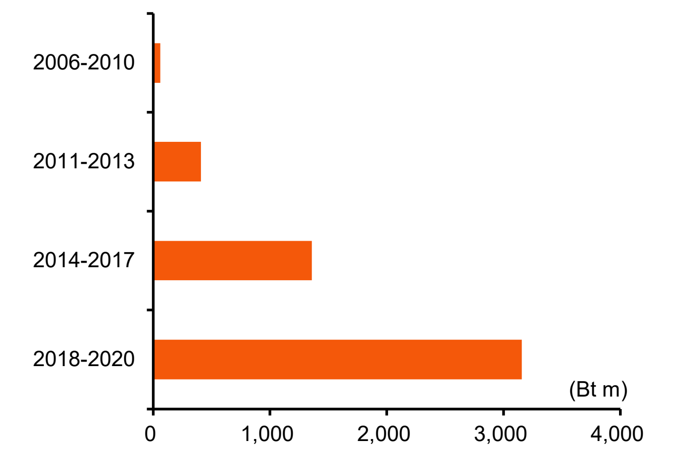
Source: Company data

Ex 13: Cash Collection Over Investments



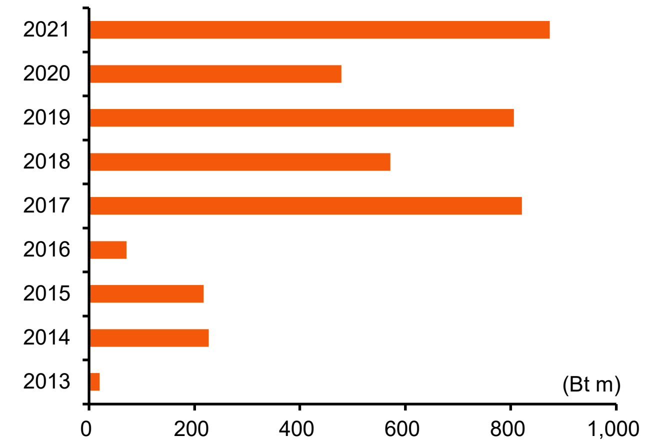
Source: Company data

Ex 14: Stepping Up Investments



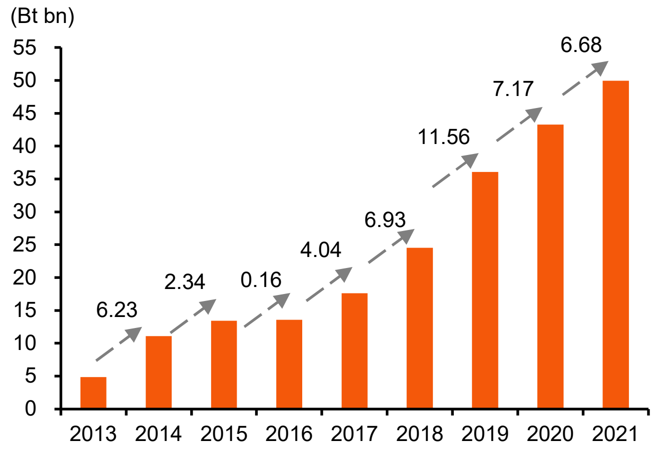
Source: Company data

Ex 15: Change In Cash Collection Over Year



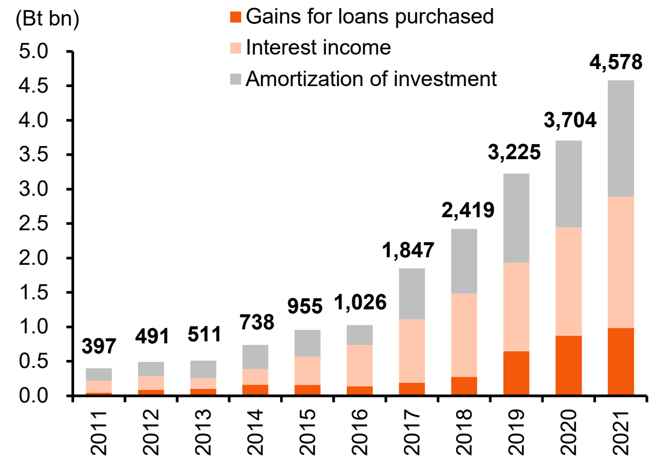
Source: Company data

Ex 16: Growing Fully Amortized NPLs



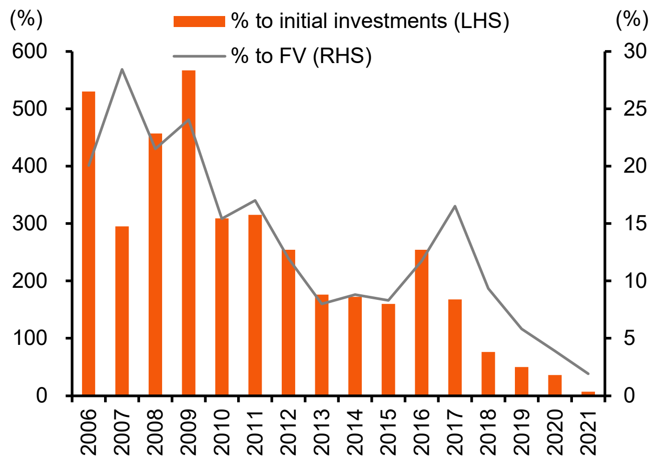
Source: Company data

Ex 17: Cash Collection Breakdown



Source: Company data

Ex 18: % Collection To Investments And Face Value



Source: Company data

Ex 19: JMT's Vintage Analysis Shows Less Payback Period of Less Than Four Years

(Bt m)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Investment costs	39	16	49	74	122	384	399	439	1,613	1,319	906	1,598	2,583	3,368	3,516	8,516
Cash collection- as of % investment																
2014	397%	199%	294%	376%	186%	192%	118%	44%	12%							
2015	413%	209%	314%	405%	206%	217%	145%	69%	41%	6%						
2016	432%	222%	335%	431%	224%	234%	162%	89%	63%	31%	7%					
2017	455%	234%	363%	460%	239%	250%	179%	109%	89%	58%	48%	24%				
2018	473%	245%	391%	489%	260%	268%	197%	130%	115%	86%	103%	58%	10%			
2019	492%	259%	417%	519%	279%	287%	218%	149%	137%	115%	162%	100%	36%	7%		
2020	507%	275%	434%	541%	293%	302%	235%	164%	156%	139%	211%	139%	56%	27%	13%	
2021	530%	295%	457%	567%	309%	315%	254%	176%	172%	160%	254%	168%	76%	50%	36%	7%

Source: Company data

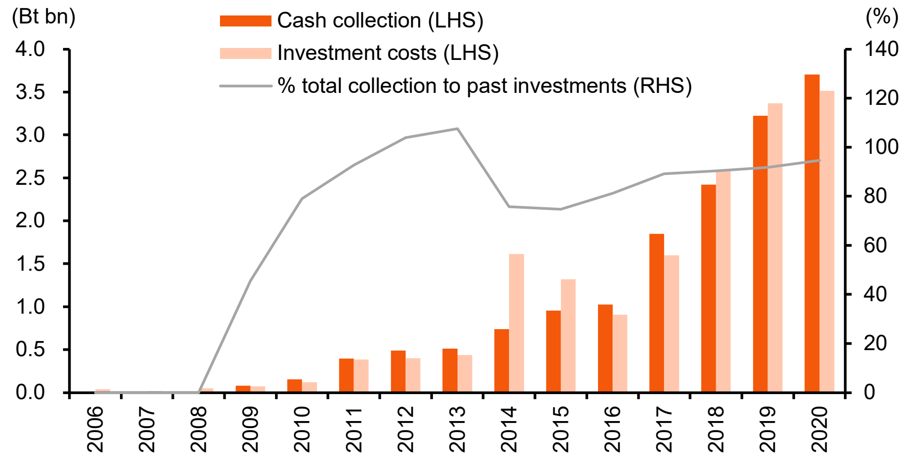
Next phase of growth

As discussed, the AMC field is capital intensive, so success rests on having the ability to control acquisition costs and expenses and collect loans repayment to cover investment costs as quickly as possible.

Self-fulfilling strategy to lower debt burden

Since its inception in 2006, JMT has expanded its debt acquisition base in 2011, 2014 and 2018. The amount of debt purchased rose from less than Bt150m over 2006-2010 to an average of Bt407m over 2011-13. JMT stepped up its investment four-fold to Bt1.6bn in 2014, and its investment increased again from Bt1.6bn in 2017 to Bt2.6-3.5bn over 2018-20. The big leap in investments in each round came right after the cash collection was sufficient to cover past investment.

Ex 20: Cash Collection Vs Investment Per Year



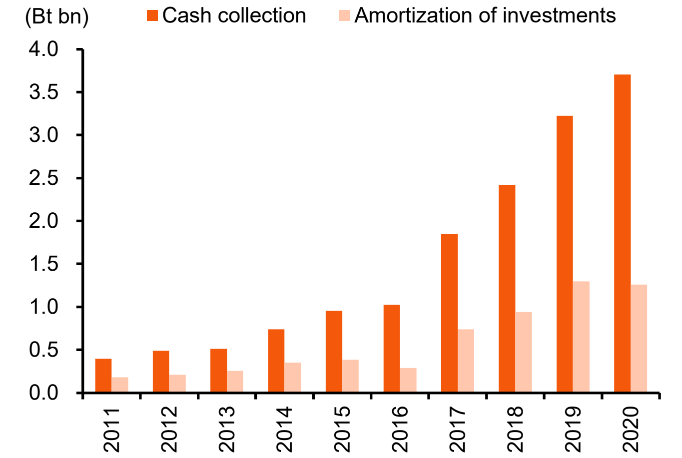
Source: Company data

Higher cash collection means larger principal reduction and higher portion of fully amortized loans

Cash collection is also a leading indicator of earnings. Higher cash collection means a larger reduction in principal and a higher portion of fully amortized loans. This allows JMT to earn larger gains on purchased loans that flow directly to the bottom line.

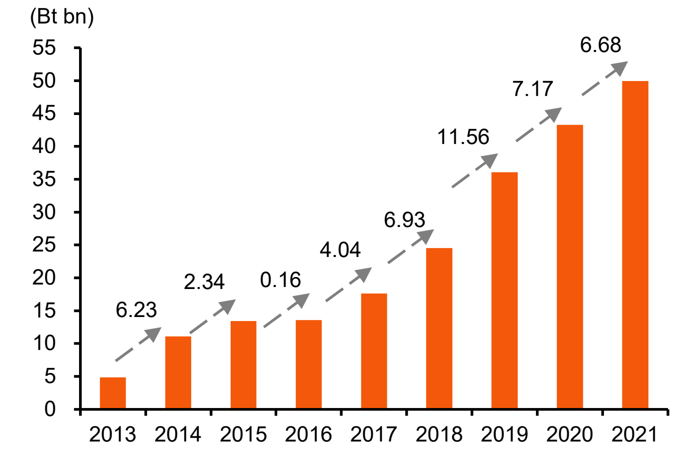
Following 80% growth in cash collection in 2017, the proportion of fully amortized loans increased from 12% of total debt acquisitions in 2016 to 14% in 2017. Supported by 31%/33%/15% increases in cash collection over 2018-2020, fully amortized loans stood at Bt43.3bn or 20% of the total in 2020. JMT has realized a higher normalized earnings base, from Bt95-146m over 2015-16 to Bt396m in 2017, Bt506m in 2018, Bt681m in 2019, and Bt1.0bn in 2020. The cash collection to earnings ratio improved markedly from 3% in 2016 to 19% over 2017-18, and rose again from 16% in 2019 to 22% and 26% over 2020-21.

Ex 21: Higher Collection, Higher Cost Reduction



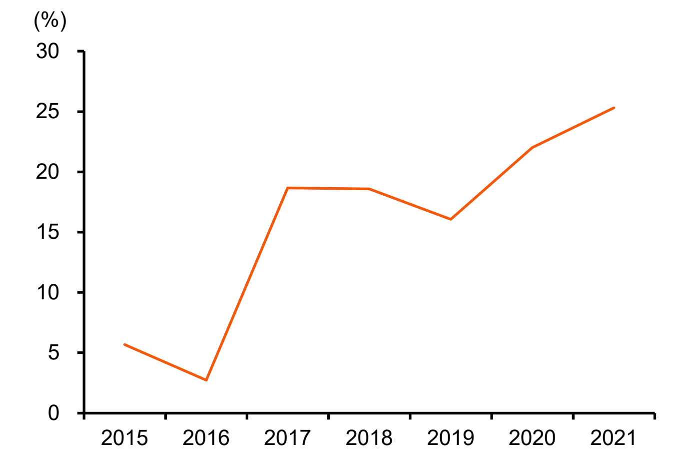
Source: Company data

Ex 22: … And Larger Fully Amortized Loans



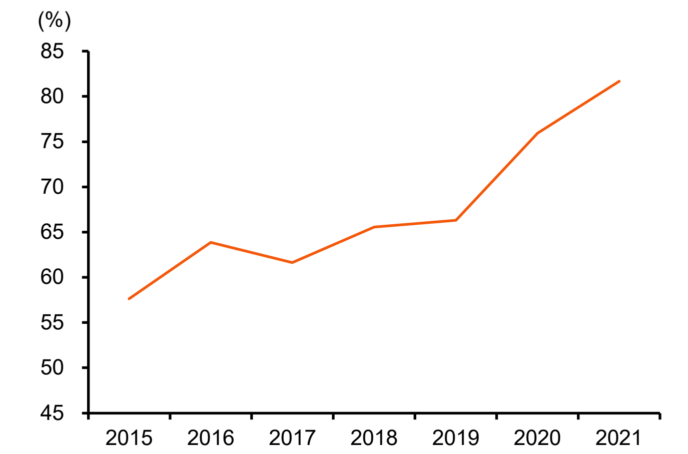
Source: Company data

Ex 23: Rising Cash Collection To Earnings Ratio



Source: Company data

Ex 24: Widening Gross Margin Of AMC Biz



Source: Company data

Aggressive expansion of much larger secure market

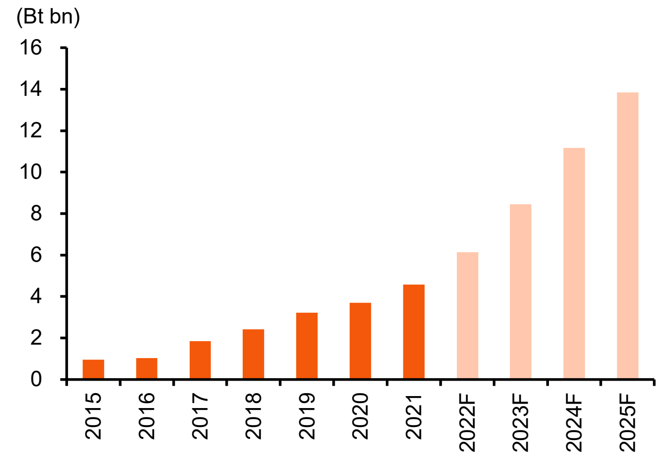
Already big in the unsecured bad debt management market, JMT has been gradually increasing its penetration of secured NPLs since 2017. It invested c. Bt628m in 2017 to acquire secure NPLs with a face value of Bt1.3bn. Having decades of experience in secured debt collection, JMT successfully collected 13% of the investments in 2017.

The company believes it is ready to expand aggressively in the much larger secured bad debt management market, with 50% of its most recent investment going to acquire secured bad debt. The company targets to acquire Bt30-50bn of NPLs over 2022-24F; we conservatively bake in Bt10bn pa over the next three years.

Factoring in share dilution, we forecast a three-year EPS CAGR of 36%

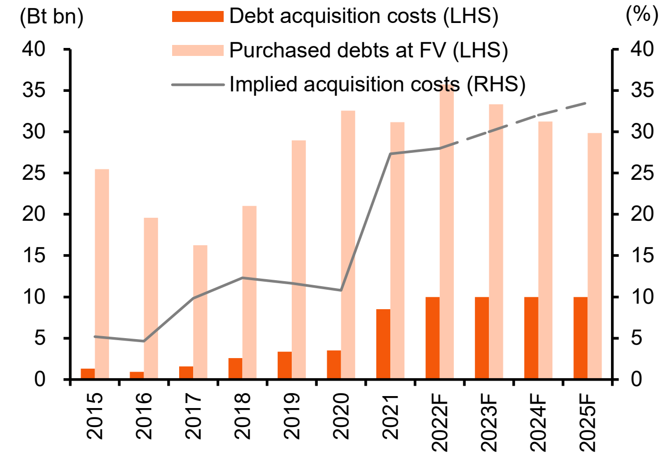
From 24% in 2021, we forecast cash collection growth of 34% in 2022, 38% in 2023, and 32% in 2024. Along with lower interest expenses and improving efficiency, we expect earnings to double 2020's level of Bt1.05bn in 2022F, and double again to Bt4.2bn in 2024F. Factoring in dilution from its rights offering in December 2021 and JMT-W3, we forecast a three-year EPS CAGR of 36% over 2022-24F. JMT has set up two JVs with KASIKORNBANK (KBANK, Bt156.50, BUY), which we leave as upside to our numbers.

Ex 25: Growing Cash Collection



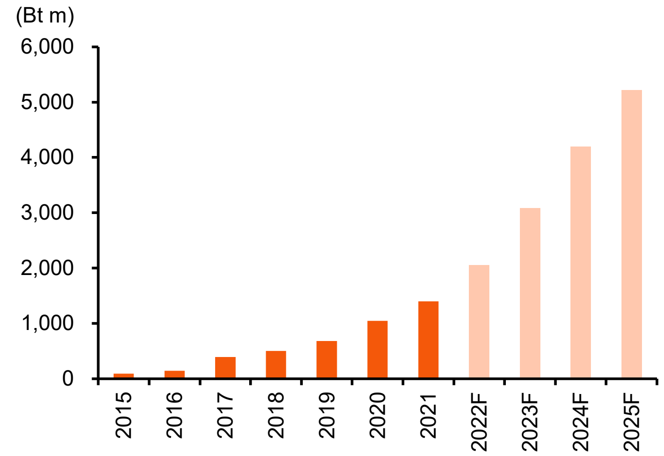
Sources: Company data, Thanachart estimates

Ex 26: Larger Debt Acquisition



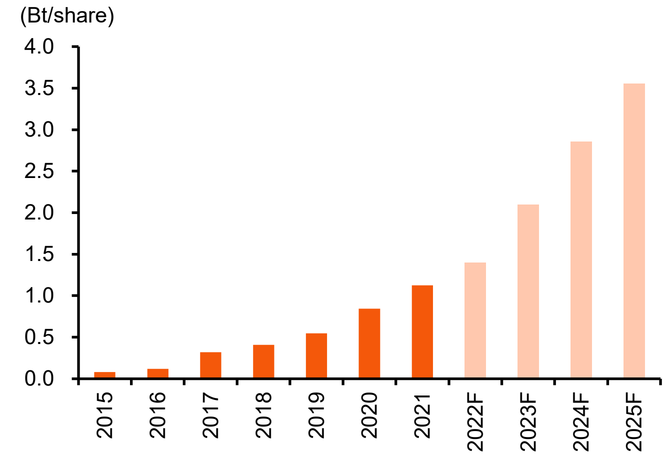
Sources: Company data, Thanachart estimates

Ex 27: Record Profits In The Offing



Sources: Company data, Thanachart estimates

Ex 28: Slower EPS Growth Due To Share Dilution



Sources: Company data, Thanachart estimates

Initiating with a BUY rating

We use DCF methodology to value JMT at Bt100 per share

Some 96% of JMT's Bt238bn debt acquisition in hand was unsecured as of 2021. The secured NPLs portion is growing but will account for less than 10% of JMT's total bad debts under management for many years, in our opinion. Together with the recurring cashflow from the debt collection and insurance businesses, we use DCF methodology, with a WACC of 7.1%, on 2022's base year, to value JMT. Factoring in a 50% increase in the number of shares from 2020 to reflect RO and warrant exercises, we arrive at a TP of Bt100 per share for JMT.

Ex 29: Key Assumptions

	2019	2020	2021	2022F	2023F	2024F	2025F	2026F
Debt collection revenues (Bt m)	**363.70**	**362.15**	**300.64**	**299.95**	**299.95**	**299.95**	**299.95**	**299.95**
% Success rate	4.80	8.10	10.30	10.00	10.00	10.00	10.00	10.00
% Commission rate	10.30	8.90	7.00	7.00	7.00	7.00	7.00	7.00
Debt acquisition revenues (Bt bn)	**1.95**	**2.63**	**3.13**	**4.03**	**5.55**	**7.47**	**9.21**	**10.90**
Debt acquisition costs (Bt bn)	3.37	3.52	8.52	10.00	10.00	10.00	10.00	10.00
Purchased debts at FV (Bt bn)	28.93	32.56	31.16	35.71	33.33	31.25	29.85	28.57
Implied acquisition costs (%)	11.64	10.80	27.33	28.00	30.00	32.00	33.50	35.00
Cash collection yield (%)	42.81	39.01	28.92	27.12	29.85	33.72	37.50	41.29
Insurance income (Bt m)	**212.31**	**199.12**	**194.03**	**194.39**	**194.39**	**210.54**	**231.59**	**254.75**
% total expenses to gross premium	61.96	47.20	56.39	56.00	55.00	54.00	53.00	52.00
Gross margin (%)	55.95	67.62	71.47	75.80	80.15	83.03	84.60	85.65
SG&A expenses to total income (%)	15.62	20.20	18.13	18.45	16.06	14.02	13.16	12.76
Corporate tax rate (%)	22.58	14.35	14.87	16.00	18.00	20.00	20.00	20.00

Sources: Company data, Thanachart estimates

Ex 30: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal Value
EBITDA	2,671	3,969	5,617	7,080	8,486	10,148	11,347	12,548	13,745	14,931	16,098	—
Free cash flow	(4,327)	(2,116)	329	2,849	5,207	4,643	6,829	8,816	10,680	12,423	14,049	257,733
PV of free cash flow	(4,315)	(1,845)	268	2,165	3,695	2,998	4,100	4,920	5,541	5,993	6,300	115,568

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.0
WACC (%)	7.1
Terminal growth (%)	2.0
Enterprise value, incl. investments	**145,388**
Net debt (2021)	(1,053)
Minority Interest	46
Equity value (Bt m)	146,396
No .of shares (m)	1,467
Equity value/ share (Bt)	**100.00**

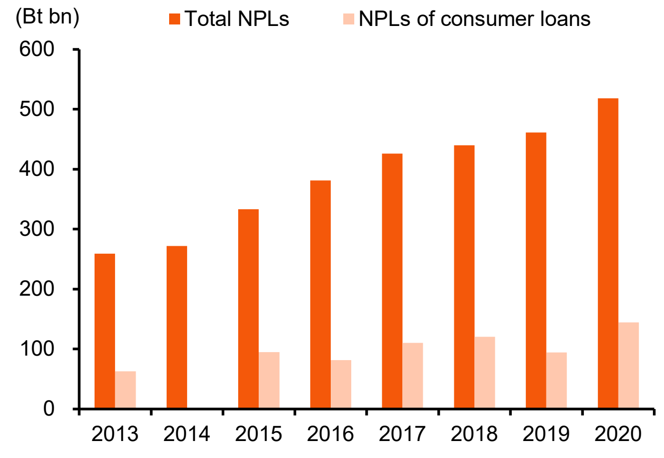
Sources: Company data, Thanachart estimates

We initiate coverage of JMT, the biggest debt collection and unsecured bad debt management play, with a BUY call and a DCF-based 12-month TP of Bt100. In a nutshell, we like the stock for the following reasons.

1) Well-established with proven track record in the sunrise AMC industry

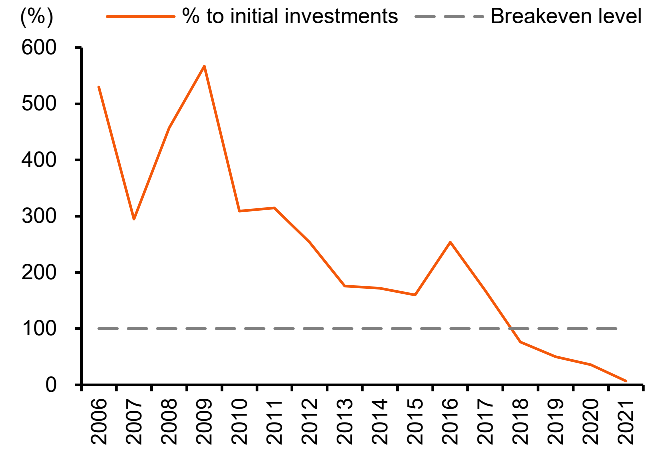
First, JMT is the biggest unsecured bad debt management company in a sunrise industry with an oversupply of NPLs. It is efficient and highly profitable, with a payback period of less than four years.

Ex 31: Abundant NPL Supply



Source: Bank of Thailand

Ex 32: JMT's Cash Collection To Investment Costs

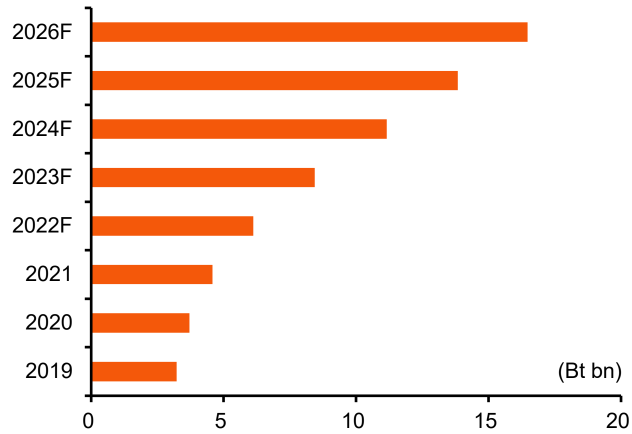


Source: Company data

2) Enjoying snowballing cash collection effect

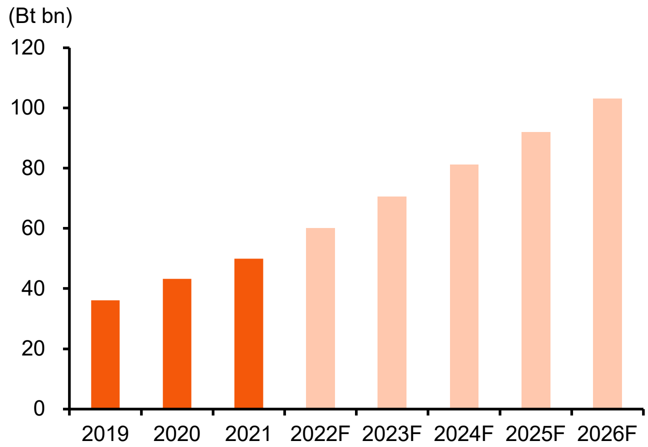
Second, JMT is entering its next phase of growth, where the payback period for the majority of its bad debt portfolio has passed, allowing the firm to book its expanding cash collection pool as earnings. We expect its earnings to double in 2024F for a 36% three-year EPS CAGR.

Ex 33: Higher Cash Collection Base



Sources: Company data, Thanachart estimates

Ex 34: Growing Fully Amortized Loans



Sources: Company data, Thanachart estimates

3) Not as expensive as it looks

Third, with its 36% EPS CAGR, rising ROE and very low gearing, we consider JMT to be a solid fundamental growth company. Its PE ratios of 57/38x for 2022-23F look high but do not capture the picture of real cash flow streams, with a 27%-plus cash collection yield rate and the growth outlook from its higher investment base.

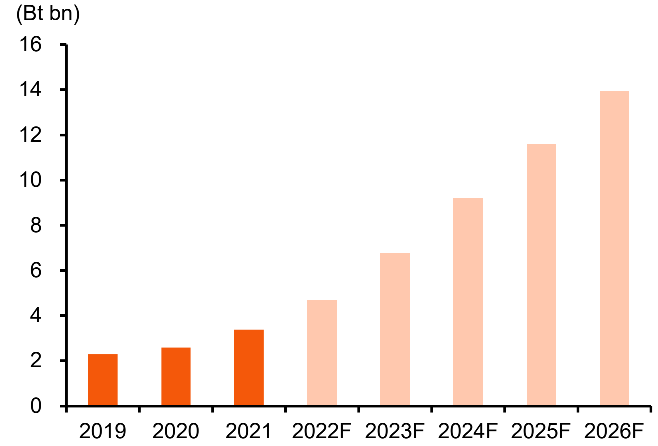
Since cash collection is key to this business, we prefer to look at the EV to net cash collection ratio, and with multiples of 25/19x for 2022-23F JMT appears inexpensive to us. We forecast net cash collection growth of 39% in 2022F, 44% in 2023F, and 36% in 2024F. Meanwhile, we expect JMT's cash collection yield to rise from 27% in 2022 to 30% in 2023F and 34% in 2024F.

Ex 35: Our Calculation Of Net Cash Collection

(Bt m)	2019	2020	2021	2022F	2023F	2024F	2025F	2026F
Cash collection	**3,225.00**	**3,704.00**	**4,578.00**	**6,121.28**	**8,443.53**	**11,157.48**	**13,846.12**	**16,474.45**
Debt collection income	363.70	362.15	300.64	299.95	299.95	299.95	299.95	299.95
Insurance income	212.31	199.12	194.03	194.39	194.39	210.54	231.59	254.75
Cost of services	(1,111.53)	(1,032.95)	(1,033.95)	(1,093.96)	(1,199.91)	(1,354.74)	(1,499.69)	(1,643.67)
SG&A expenses	(394.14)	(644.46)	(657.03)	(834.19)	(970.97)	(1,119.40)	(1,281.66)	(1,461.06)
Net cash collection	**2,295.35**	**2,587.86**	**3,381.68**	**4,687.47**	**6,767.00**	**9,193.84**	**11,596.32**	**13,924.42**
% change	***33.39***	***12.74***	***30.68***	***38.61***	***44.36***	***35.86***	***26.13***	***20.08***

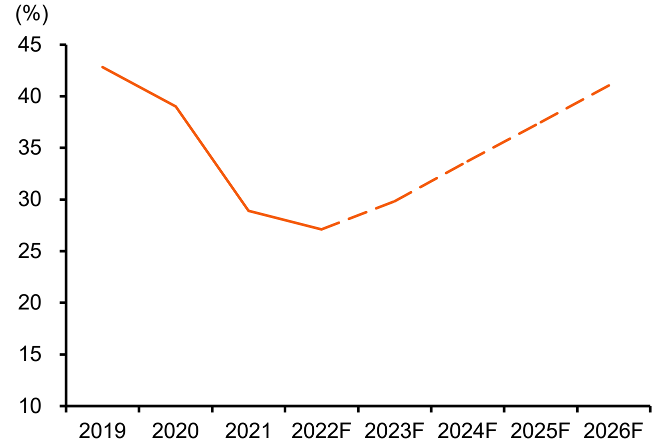
Sources: Company data, Thanachart estimates

Ex 36: Net Cash Collection



Sources: Company data, Thanachart estimates

Ex 37: Cash Collection Yield



Sources: Company data, Thanachart estimates

Note: Cash collection yield = Cash collection dividing by net investment in loans at book

JMT deserves a valuation premium

BAM and CHAYO operate similar AMC businesses to JMT's. BAM is the biggest player in secured bad debt management, with a total debt acquisition at face value of Bt483bn as of 2021. JMT specializes in unsecure debt and is also the biggest player in that market. We do not cover CHAYO, which manages both secured and unsecured debts but whose size is smaller than JMT.

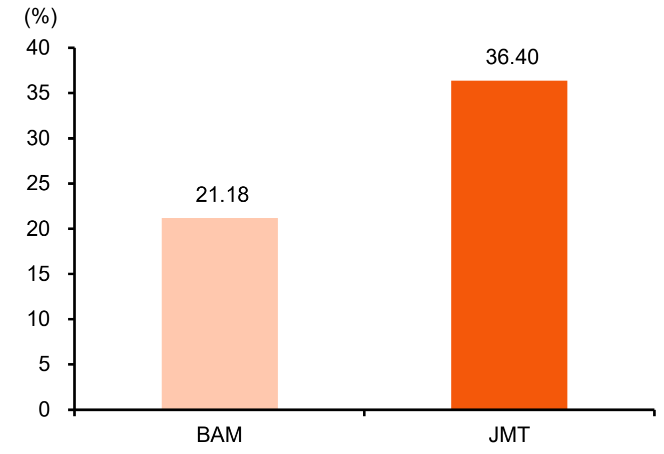
Despite BAM's bigger asset size and scale, JMT is more expensive in every respect. We believe JMT warrants a premium valuation for the following reasons.

First, highly focused on unsecured NPLs, JMT is a manufacturing-base AMC with a lighter asset base than BAM. JMT has a faster payback period of less than 4 years versus 7-8 years for BAM. Supported by its higher cash collection base and lower interest expenses, JMT has clearer earnings visibility. On our forecasts, JMT's three-year EPS CAGR of 36% is 15% higher than BAM's.

Second, in light of its lower acquisition costs and expenses, and quicker asset turnover, JMT is more efficient and profitable. JMT's cash collection yield and net margin of 27% and 38% in 2021 were much higher than BAM's 15% and 20%, respectively.

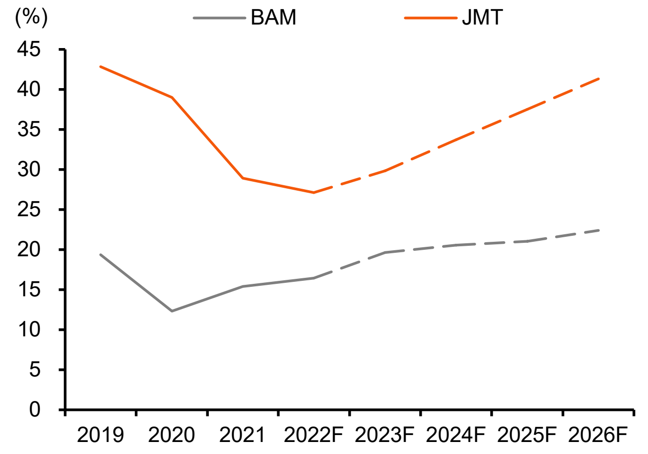
Third, JMT's progression of JVAMC is faster than BAM's. It has already completed the establishment of two JVs with KBANK (the first will be in debt collection, the other is in the process of applying for an AMC license). JMT expects the JVs to enter operation in 2H22. BAM believes it will be able to finalize at least one JV in 2H22.

Ex 38: Three-year EPS Growth Comparison



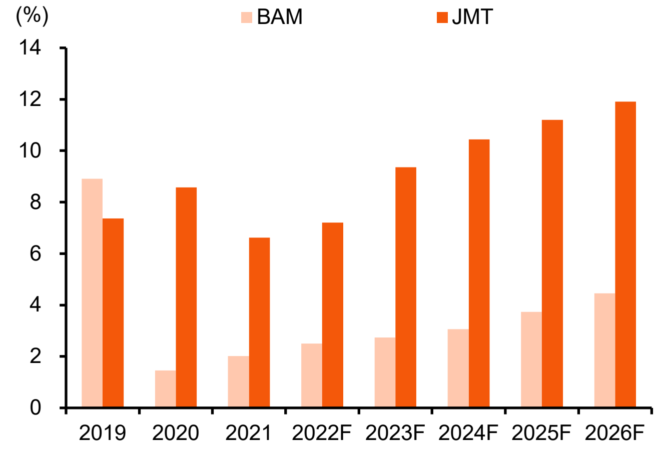
Source: Thanachart estimates

Ex 39: Cash Collection Yield Comparison



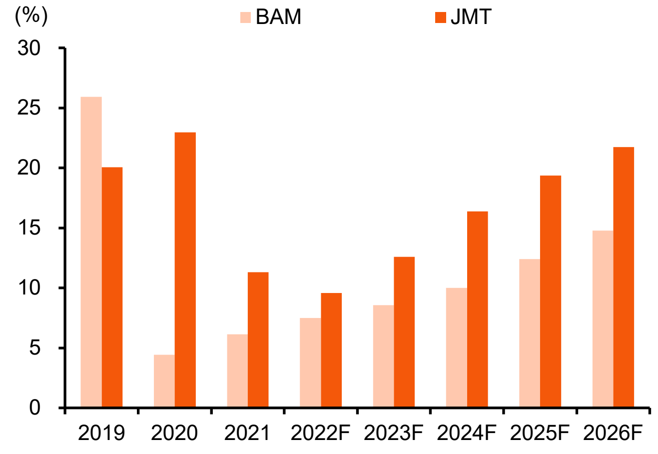
Sources: Company data, Thanachart estimates

Ex 40: ROA



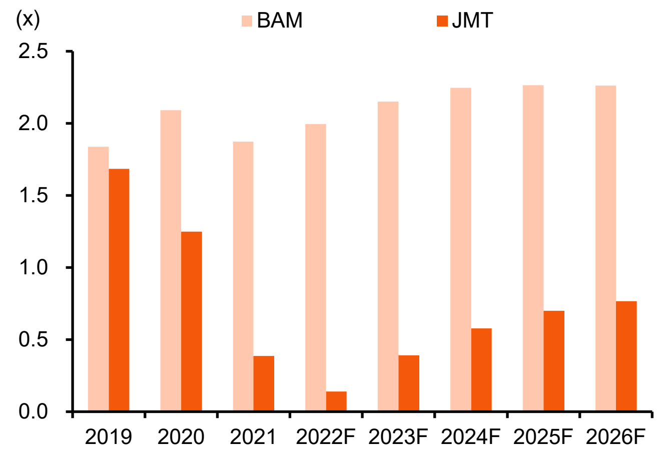
Sources: Company data, Thanachart estimates

Ex 41: ROE



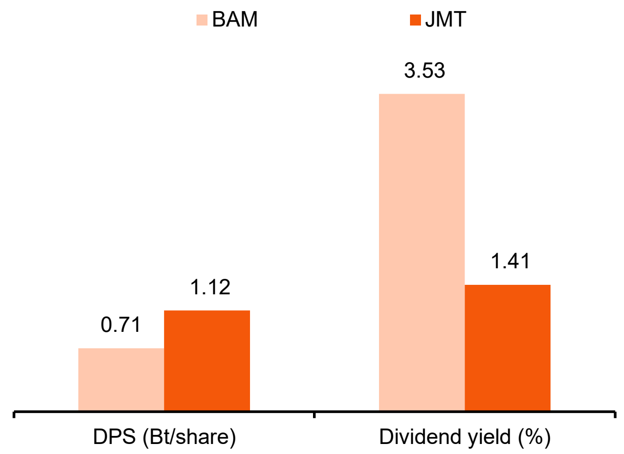
Sources: Company data, Thanachart estimates

Ex 42: Debt-To-Equity Ratio



Sources: Company data, Thanachart estimates

Ex 43: Dividend Yield (2022F)



Source: Thanachart estimates

BAM is a cheaper AMC play

That said, we also like BAM, for which we maintain our BUY call and TP of Bt27. BAM is a cheaper AMC play, with positive structural drivers to boost earnings and profitability. Following its aggressive debt acquisition over the past few years, BAM's top priority is to shorten its asset turnaround time by offering flexible repayment terms, attractive pricing, and expansion into digital channels. It is also keen to adopt an asset-light expansion model and is working closely with commercial banks to set up JVs in 2H22. Lastly, BAM is setting up a new team to beef up clean loan windfalls. BAM estimated the leftover rights over these loans at around Bt10bn as of 2021.

Valuation Comparison

Ex 44: Valuation Comparison With Regional Peers

			EPS growth		—— PE ——		—— P/BV ——		—— ROE ——		— Div. yield —	
Name	**BBG code**	**Country**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**	**22F**	**23F**
Afterpay Ltd	APT AU	Australia	na	na	na	na	na	na	(0.4)	6.6	na	na
Finvolution Group	FINV US	China	376.8	9.5	0.5	0.4	0.1	0.1	22.1	20.3	17.1	39.0
Mahindra & Mahindra Fin Secs	MMFS IN	India	0.7	132.6	25.0	10.7	1.4	1.3	6.3	12.3	0.8	1.9
Bajaj Finance Ltd	BAF IN	India	58.0	50.9	63.1	41.8	10.3	8.4	17.4	22.0	0.2	0.2
Manappuram Finance Ltd	MGFL IN	India	(20.1)	17.3	7.6	6.5	1.3	1.1	17.5	18.0	2.4	2.7
GMO Payment Gateway Inc.	3769 JP	Japan	18.4	24.6	80.7	64.8	13.8	12.3	18.6	20.0	0.6	0.7
Infomart Corp.	2492 JP	Japan	na	197.8	872.3	292.9	13.6	13.0	1.9	5.5	0.0	0.2
Ally Financial Inc	ALLY US	US	(8.5)	3.6	5.6	5.4	0.8	0.8	16.2	15.3	2.8	3.0
World Acceptance Corp	WRLD US	US	(17.1)	(9.2)	16.7	18.4	2.7	2.3	17.3	12.6	na	na
Navient Corp	NAVI US	US	(27.8)	2.8	5.4	5.3	0.9	0.8	17.2	15.8	3.9	3.9
SLM Corp	SLM US	US	(19.8)	7.4	5.9	5.5	2.3	2.0	38.3	35.8	2.5	2.4
Amanah Leasing	AMANAH TB	Thailand	7.7	16.7	17.5	15.0	3.1	2.8	18.6	19.4	3.0	3.4
Asia Sermkij Leasing *	ASK TB	Thailand	21.4	32.2	14.5	11.0	2.3	2.1	16.7	20.1	3.4	4.5
Bangkok Commercial Asset Mgt.	BAM TB	Thailand	25.3	17.6	19.8	16.9	1.5	1.4	7.5	8.6	3.5	4.2
Chayo Group	CHAYO TB	Thailand	84.9	(1.9)	29.8	30.4	3.3	2.9	14.1	11.3	0.6	0.6
JMT Network Services *	JMT TB	Thailand	24.6	49.6	56.8	38.0	4.9	4.7	9.6	12.6	1.4	2.1
Krungthai Card *	KTC TB	Thailand	7.2	16.0	24.4	21.1	5.0	4.4	22.0	22.3	1.8	2.1
Muangthai Capital *	MTC TB	Thailand	18.0	31.4	18.3	14.0	3.6	2.9	21.3	23.1	0.8	1.1
Saksiam Leasing *	SAK TB	Thailand	36.1	35.5	22.7	16.8	3.5	3.1	16.1	19.5	1.8	2.4
Srisawad Corporation *	SAWAD TB	Thailand	16.0	28.1	13.6	10.6	2.6	2.3	20.3	23.1	3.7	4.7
Ratchthani Leasing *	THANI TB	Thailand	9.6	12.8	12.7	11.3	1.9	1.8	15.7	16.6	4.7	5.3
Ngern Tid Lor *	TIDLOR TB	Thailand	15.9	27.4	24.0	18.8	3.6	3.1	15.8	17.6	0.8	1.1
Average			**31.4**	**33.5**	**63.7**	**31.3**	**3.9**	**3.5**	**15.9**	**17.2**	**2.8**	**4.3**

Source: Bloomberg
Note: * Thanachart estimates using normalized EPS growth
Based on 11 Apr 2022 closing price

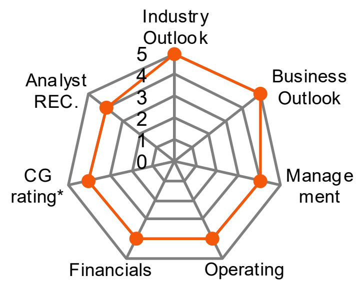
Our major shareholder TCAP (Thanachart Capital Pcl) holds 50.96% of Thanachart Securities. TCAP also holds 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd holds 60% stake in THANI and is the major shareholder of THANI.

COMPANY DESCRIPTION

The Company provides 3 types of services; 1) Bad Debt Collection: the company provides bad debt collection services to financial institutions and corporations. The scope of services includes both collection and legal services such as preparing and filing lawsuits. 2) Bad Debt Management: the company manages and collects bad debt, which it buys from financial institutions and corporations. 3) Insurance broker and non-life insurance business.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; * No CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Highly experienced in debt collection and bad debt management
- Large data and business scale

W — Weakness

- In a capital-intensive business with cash inflows not fully reflected in the bottom line.
- Lumpy earnings booking as gains from purchased NPLs are higher.

O — Opportunity

- Increasing penetration to secure NPLs
- JVAMC with commercial banks

T — Threat

- Lower asset sales as banks are doing management in-house.
- Changes in accounting treatment.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	76.00	100.00	32%
Net profit 22F (Bt m)	2,079	2,059	-1%
Net profit 23F (Bt m)	2,844	3,081	8%
Consensus REC	**BUY: 6**	**HOLD: 2**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- We share the consensus view on JMT's earnings for 2022F.
- But we are more positive on the contribution of cash collection in earnings in the future. As a consequence, our TP is higher.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If JMT were to collect cash at lesser amounts than we currently assume, this would represent a significant downside risk to our earnings and TP.
- Higher-than-expected operating costs are a secondary downside risk, in our view.
- Risks to our future earnings forecasts would persist if JMT were to purchase NPLs at lesser amounts than we have baked into our forecasts.

Source: Thanachart

In a snowballing cash collection booking cycle

INCOME STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Total income	3,190	3,625	4,520	6,046	7,983
Cost of sales	1,033	1,034	1,094	1,200	1,355
Gross profit	**2,157**	**2,591**	**3,426**	**4,846**	**6,628**
% gross margin	67.6%	71.5%	75.8%	80.2%	83.0%
Selling & administration expenses	644	657	834	971	1,119
Operating profit	**1,513**	**1,934**	**2,592**	**3,875**	**5,509**
% operating margin	47.4%	53.3%	57.3%	64.1%	69.0%
Amortization of investment	1,257	1,690	2,419	3,338	4,275
Cash collection	3,704	4,578	6,121	8,444	11,157
% cash collection yield	39.0%	28.9%	27.1%	29.8%	33.7%
Non-operating income	17	25	23	30	40
Non-operating expenses	(6)	6	6	6	6
Interest expense	(314)	(345)	(194)	(179)	(338)
Pre-tax profit	**1,210**	**1,620**	**2,427**	**3,732**	**5,217**
Income tax	174	241	388	672	1,043
After-tax profit	**1,036**	**1,379**	**2,038**	**3,060**	**4,173**
% net margin	32.5%	38.1%	45.1%	50.6%	52.3%
Shares in affiliates' Earnings	0	0	0	0	0
Minority interests	11	21	21	21	23
Extraordinary items	0	0	0	0	0
NET PROFIT	**1,047**	**1,400**	**2,059**	**3,081**	**4,196**
Normalized profit	**1,047**	**1,400**	**2,059**	**3,081**	**4,196**
EPS (Bt)	0.8	1.1	1.4	2.1	2.9
Normalized EPS (Bt)	0.8	1.1	1.4	2.1	2.9

Using RO and warrant proceeds to repay debts

BALANCE SHEET

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
ASSETS:					
Current assets:	3,834	11,085	5,357	7,136	9,219
Cash & cash equivalent	2,136	8,438	1,500	1,500	1,500
Account receivables	251	725	867	1,159	1,531
Properties foreclosed	402	979	1,814	2,903	4,111
Others	1,045	943	1,176	1,573	2,077
Investments & loans	9,495	15,829	22,574	28,290	33,092
Net fixed assets	256	338	409	466	507
Other assets	685	784	812	843	876
Total assets	**14,270**	**28,036**	**29,152**	**36,734**	**43,693**
LIABILITIES:					
Current liabilities:	2,578	3,931	3,927	9,369	12,810
Account payables	508	885	929	1,019	1,151
Bank overdraft & ST loans	50	300	150	300	600
Current LT debt	1,303	2,166	2,117	7,265	10,126
Others current liabilities	716	580	731	785	934
Total LT debt	**5,834**	**4,919**	**1,114**	**2,228**	**4,455**
Others LT liabilities	104	109	152	175	202
Total liabilities	**8,516**	**8,959**	**5,193**	**11,771**	**17,467**
Minority interest	30	46	24	3	(20)
Preferreds shares	0	0	0	0	0
Paid-up capital	488	684	734	734	734
Share premium	3,930	16,810	20,988	20,988	20,988
Warrants	0	0	0	0	0
Surplus	346	66	66	66	66
Retained earnings	**959**	**1,472**	**2,147**	**3,172**	**4,457**
Shareholders' equity	5,724	19,032	23,935	24,960	26,246
Liabilities & equity	**14,270**	**28,036**	**29,152**	**36,734**	**43,693**

Sources: Company data, Thanachart estimates

Increasing investments for debt acquisition

JMT looks inexpensive on EV-to-net cash collection ratio

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2020A	2021A	2022F	2023F	2024F
Earnings before tax	1,210	1,620	2,427	3,732	5,217
Tax paid	(207)	(204)	(380)	(623)	(1,000)
Depreciation & amortization	110	125	128	143	156
Chg In w orking capital	(101)	(675)	(932)	(1,292)	(1,448)
Chg In other CA & CL / minorities	132	(320)	(73)	(409)	(466)
Cash flow from operations	**1,144**	**546**	**1,169**	**1,551**	**2,459**
Capex	(155)	(158)	(150)	(150)	(150)
Right of use	(202)	(59)	(60)	(60)	(60)
ST loans & investments	13	282	0	0	0
LT loans & investments	(1,962)	(6,334)	(6,745)	(5,716)	(4,802)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	66	(80)	9	19	76
Cash flow from investments	**(2,241)**	**(6,349)**	**(6,946)**	**(5,906)**	**(4,936)**
Debt financing	1,404	198	(4,004)	6,412	5,388
Capital increase	1,641	13,075	4,228	0	0
Dividends paid	(694)	(887)	(1,384)	(2,056)	(2,911)
Warrants & other surplus	335	(281)	0	0	0
Cash flow from financing	**2,686**	**12,105**	**(1,161)**	**4,356**	**2,477**
Free cash flow	**988**	**387**	**1,019**	**1,401**	**2,309**

VALUATION

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Normalized PE (x)	94.6	70.8	56.8	38.0	27.9
Normalized PE - at target price (x)	118.7	88.8	71.2	47.6	35.0
PE (x)	94.6	70.8	56.8	38.0	27.9
PE - at target price (x)	118.7	88.8	71.2	47.6	35.0
EV/Net cash collection (x)	40.2	29.0	25.4	18.5	14.2
EV/Net cash collection - at target price (x)	50.0	36.5	31.7	22.9	17.4
P/BV (x)	17.3	6.1	4.9	4.7	4.5
P/BV - at target price (x)	21.7	7.7	6.1	5.9	5.6
P/CFO (x)	86.6	181.7	100.1	75.5	47.6
Price/sales (x)	36.7	32.3	25.9	19.4	14.7
Dividend yield (%)	0.8	1.0	1.4	2.1	2.9
FCF Yield (%)	1.0	0.4	0.9	1.2	2.0
(Bt)					
Normalized EPS	0.8	1.1	1.4	2.1	2.9
EPS	0.8	1.1	1.4	2.1	2.9
DPS	0.7	0.8	1.1	1.7	2.3
BV/share	4.6	13.0	16.3	17.0	17.9
CFO/share	0.9	0.4	0.8	1.1	1.7
FCF/share	0.8	0.3	0.7	1.0	1.6

Sources: Company data, Thanachart estimates

FINANCIAL RATIOS

FY ending Dec	2020A	2021A	2022F	2023F	2024F
Growth Rate					
Total Income (%)	26.4	13.6	24.7	33.7	32.0
Net profit (%)	53.7	33.7	47.1	49.6	36.2
EPS (%)	53.7	33.7	24.6	49.6	36.2
Normalized profit (%)	53.7	33.7	47.1	49.6	36.2
Normalized EPS (%)	53.7	33.7	24.6	49.6	36.2
Dividend payout ratio (%)	80.2	80.1	80.0	80.0	80.0
Operating performance					
Cash collection yield (%)	39.0	28.9	27.1	29.8	33.7
Implied NPLs acquisition costs (%)	10.8	27.3	28.0	30.0	32.0
Cost of fund (%)	4.8	4.7	3.5	2.6	2.7
Gross margin (%)	67.6	71.5	75.8	80.2	83.0
Operating margin (%)	47.4	53.3	57.3	64.1	69.0
Net margin (%)	32.5	38.1	45.1	50.6	52.3
D/E (incl. minor) (x)	1.2	0.4	0.1	0.4	0.6
Net D/E (incl. minor) (x)	0.9	(0.1)	0.1	0.3	0.5
ROA - using norm profit (%)	8.6	6.6	7.2	9.4	10.4
ROE - using norm profit (%)	23.0	11.3	9.6	12.6	16.4
DuPont					
ROE - using after tax profit (%)	22.7	11.1	9.5	12.5	16.3
- asset turnover (x)	0.3	0.2	0.2	0.2	0.2
- operating margin (%)	47.8	54.2	58.0	64.7	69.6
- leverage (x)	2.7	1.7	1.3	1.3	1.6
- interest burden (%)	79.4	82.4	92.6	95.4	93.9
- tax burden (%)	85.6	85.1	84.0	82.0	80.0
WACC (%)	7.1	7.1	7.1	7.1	7.1
ROIC (%)	15.0	15.3	12.1	12.3	13.3
NOPAT (Bt m)	1,296	1,646	2,177	3,177	4,407

Sources: Company data, Thanachart estimates

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