JMT Network Services Pcl (JMT TB) - BUY, Price Bt68, TP Bt100

Results Comment

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Good profits, in line

- JMT reported 1Q22 profits of Bt367m, up 30% y-y but down 23% q-q. 1Q22 profits made up 18% of our full-year forecast. We expect better profits in the coming quarters so maintain our projection as is.
- The set-up of JV with KBANK- JK Asset Management has also completed and the paid-up capital has been increased to Bt200m, with 50% equity holding for each party. We leave JV contributions as upsides and re-iterate BUY.
- Total cash collection was all time high at Bt1.46bn, up 45% y-y and 6% q-q. Total income grew in tandem of 33% y-y and 3% q-q. Cash collection and income make up 24% of our full year forecast.
- JMT acquired NPLs of Bt737m in the quarter. This was versus the acquisitions of Bt1.8bn in 1Q21 and Bt1.4bn in 4Q21.
- A drop in gross margin was due mainly one-off claim expenses at its insurance biz regarding Covid-19 pandemic (estimated around Bt50m). Excluding this, gross margin of the AMC was still high at 77%.
- A rise in SG&A expenses was due to increase in provisions from the acquisition of secured NPLs. Underlying SG&A was Bt176m, up 27% y-y but down 6% q-q on seasonality factor.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Total Income	809	816	949	1,051	1,079
Gross profit	**579**	**590**	**675**	**747**	**732**
SG&A	162	180	207	108	288
Operating profit	417	410	468	639	445
Cash collection	**1,005**	**970**	**1,241**	**1,370**	**1,458**
Non-operating income	6	3	4	12	20
Non-operating expenses	(6)	(1)	1	(1)	(10)
Interest expense	(79)	(82)	(85)	(100)	(71)
Profit before tax	**350**	**332**	**386**	**553**	**403**
Income tax	66	50	44	81	63
Equity & invest. income	0	0	0	0	0
Minority interests	(1)	6	10	6	27
Extraordinary items	0	0	0	0	0
Net profit	**283**	**289**	**352**	**477**	**367**
Normalized profit	**283**	**289**	**352**	**477**	**367**
EPS (Bt)	0.28	0.26	0.32	0.35	0.27
Normalized EPS (Bt)	0.28	0.26	0.32	0.35	0.27

Income Statement			3M as		
(Bt m)	q-q%	y-y%	% 2022F	2022F	2023F
Total Income	3	33	24	4,520	6,046
Gross profit	**(2)**	**26**	**21**	**3,426**	**4,846**
SG&A	166	78	34	834	971
Operating profit	(30)	7	17	2,592	3,875
Cash collection	**6**	**45**	**24**	**6,121**	**8,444**
Non-operating income	70	248	90	23	30
Non-operating expenses	na	na	152	(6)	(6)
Interest expense	na	na	37	(194)	(179)
Profit before tax	**(27)**	**15**	**17**	**2,427**	**3,732**
Income tax	(22)	(3)	16	388	672
Equity & invest. income			na	0	0
Minority interests	364	na	129	21	21
Extraordinary items			na	0	0
Net profit	**(23)**	**30**	**18**	**2,059**	**3,081**
Normalized profit	**(23)**	**30**	**18**	**2,059**	**3,081**
EPS (Bt)	(23)	(5)	19	1.40	2.10
Normalized EPS (Bt)	(23)	(5)	19	1.40	2.10

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	1Q21	2Q21	3Q21	4Q21	1Q22
Cash & ST investment	2,735	1,655	1,627	8,438	9,696
A/C receivable	405	452	463	725	792
Properties foreclosed	566	724	747	979	1,234
Other current assets	811	842	948	943	1,104
Investment	10,759	11,748	14,931	15,832	15,580
Fixed assets	255	262	274	338	331
Other assets	698	677	752	781	831
Total assets	**16,229**	**16,359**	**19,742**	**28,036**	**29,568**
S-T debt	1,290	2,792	4,721	2,466	3,811
A/C payable	294	454	831	885	426
Other current liabilities	732	701	555	580	662
L-T debt	5,951	4,468	5,035	4,919	2,492
Other liabilities	129	123	118	109	105
Minority interest	32	26	15	46	18
Shareholders' equity	**7,802**	**7,795**	**8,466**	**19,032**	**22,054**
Working capital	677	722	379	819	1,601
Total debt	7,241	7,260	9,756	7,385	6,302
Net debt	**4,506**	**5,605**	**8,129**	**(1,053)**	**(3,393)**

Financial Ratios					
(%)	1Q21	2Q21	3Q21	4Q21	1Q22
Total Income growth	5.8	7.1	21.1	19.3	33.3
Operating profit growth	25.0	20.9	16.3	45.8	6.6
Cash collection growth	22.41	6.71	22.27	42.86	45.07
Norm profit growth	36.8	27.3	24.2	44.5	29.7
Norm EPS growth	22.0	3.6	(1.1)	3.2	(5.5)
Gross margin	71.6	72.3	71.1	71.1	67.9
Operating margin	51.5	50.2	49.3	60.8	41.2
Norm net margin	35.0	35.4	37.1	45.4	34.0
D/E (x)	0.9	0.9	1.2	0.4	0.3
Net D/E (x)	0.6	0.7	1.0	(0.1)	(0.2)
Interest coverage (x)	5.7	5.4	5.9	6.8	6.7
Interest rate	4.4	4.5	4.0	4.6	4.2
Effective tax rate	18.7	14.9	11.5	14.7	15.7
ROA	7.4	7.1	7.8	8.0	5.1
ROE	16.7	14.8	17.3	13.9	7.1

Sources: Company data, Thanachart estimates

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