JMT Network Services Pcl (JMT TB) - BUY, Price Bt78, TP Bt100

Results Comment

Sarachada Sornsong | Email: sarachada.sor@thanachartsec.co.th

Strong profits, in line

- JMT reported 2Q22 profits of Bt433m, up 50% y-y and 18% q-q. 1H22 profits made up 39% of our full year forecast. We maintain our projection as we expect stronger 2H22 profits on no more losses of insurance biz totaling of Bt107m in 1H22 and higher cash collection on seasonal effect. Re-iterate BUY.
- Adding back Bt57m losses from insurance business from extra Covid-19 claims, JMT's debt collection and AMC business should have made profits Bt490m in 2Q22 and Bt904m in 1H22.
- Growth drivers y-y were due growing cash collection of 38% y-y and lower interest expenses.
- As for q-q, cash collection dipped 8% on seasonal factor. However, earnings grew from previous quarter despite higher losses of insurance biz on a reversal of expected credit loss (ECL) due to JMT's proven cash collection record.
- JMT spent Bt385m to acquire NPL mainly from SINGER (72%) at Bt1.97bn FV. We calculated acquisition costs of 10.7% from 10.6% in 1Q22. Total NPLs under management rose to Bt245bn from Bt243bn in 1Q22.
- JK is being set up with Bt10bn paid-up capital. JMT booked tiny equity loss in this quarter. JK has already purchased NPLs from KBANK and is expected to gradually recognize income from the end of 3Q22 so revenue will be fully recognized in 4Q22.

Income Statement					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Total Income	816	949	1,051	1,079	1,087
Gross profit	**590**	**675**	**747**	**732**	**712**
SG&A	180	207	108	288	199
Operating profit	410	468	639	445	513
Cash collection	**970**	**1,241**	**1,370**	**1,458**	**0**
Non-operating income	3	4	12	20	4
Non-operating expenses	(1)	1	(1)	(10)	0
Interest expense	(82)	(85)	(100)	(71)	(66)
Profit before tax	**332**	**386**	**553**	**403**	**451**
Income tax	50	44	81	63	48
Equity & invest. income	0	0	0	0	(0)
Minority interests	6	10	6	27	30
Extraordinary items	0	0	0	0	0
Net profit	**289**	**352**	**477**	**367**	**433**
Normalized profit	**289**	**352**	**477**	**367**	**433**
EPS (Bt)	0.26	0.32	0.35	0.27	0.30
Normalized EPS (Bt)	0.26	0.32	0.35	0.27	0.30

Income Statement			**6M as**		
(Bt m)	**q-q%**	**y-y%**	**% 2022F**	**2022F**	**2023F**
Total Income	1	33	48	4,520	6,046
Gross profit	**(3)**	**21**	**42**	**3,426**	**4,846**
SG&A	(31)	10	58	834	971
Operating profit	15	25	37	2,592	3,875
Cash collection			**24**	**6,121**	**8,444**
Non-operating income	(81)	22	107	23	30
Non-operating expenses			152	(6)	(6)
Interest expense	na	na	71	(194)	(179)
Profit before tax	**12**	**36**	**35**	**2,427**	**3,732**
Income tax	(25)	(4)	29	388	672
Equity & invest. income			na	0	0
Minority interests	9	375	270	21	21
Extraordinary items			na	0	0
Net profit	**18**	**50**	**39**	**2,059**	**3,081**
Normalized profit	**18**	**50**	**39**	**2,059**	**3,081**
EPS (Bt)	11	12	40	1.40	2.10
Normalized EPS (Bt)	11	12	40	1.40	2.10

Balance Sheet					(consolidated)
Yr-end Dec (Bt m)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Cash & ST investment	1,655	1,627	8,438	9,696	3,315
A/C receivable	452	463	725	792	1,022
Properties foreclosed	724	747	979	1,234	1,559
Other current assets	842	948	943	1,104	1,159
Investment	11,748	14,931	15,832	15,580	15,220
Fixed assets	262	274	338	331	331
Other assets	677	752	781	831	5,896
Total assets	**16,359**	**19,742**	**28,036**	**29,568**	**28,500**
S-T debt	2,792	4,721	2,466	3,811	2,253
A/C payable	454	831	885	426	211
Other current liabilities	701	555	580	662	574
L-T debt	4,468	5,035	4,919	2,492	2,493
Other liabilities	123	118	109	105	112
Minority interest	26	15	46	18	77
Shareholders' equity	**7,795**	**8,466**	**19,032**	**22,054**	**22,780**
Working capital	722	379	819	1,601	2,369
Total debt	7,260	9,756	7,385	6,302	4,745
Net debt	**5,605**	**8,129**	**(1,053)**	**(3,393)**	**1,431**

Financial Ratios					
(%)	**2Q21**	**3Q21**	**4Q21**	**1Q22**	**2Q22**
Total Income growth	7.1	21.1	19.3	33.3	33.2
Operating profit growth	20.9	16.3	45.8	6.6	25.2
Cash collection growth	6.71	22.27	42.86	45.07	(100.00)
Norm profit growth	27.3	24.2	44.5	29.7	50.0
Norm EPS growth	3.6	(1.1)	3.2	(5.5)	12.3
Gross margin	72.3	71.1	71.1	67.9	65.5
Operating margin	50.2	49.3	60.8	41.2	47.2
Norm net margin	35.4	37.1	45.4	34.0	39.8
D/E (x)	0.9	1.2	0.4	0.3	0.2
Net D/E (x)	0.7	1.0	(0.1)	(0.2)	0.1
Interest coverage (x)	5.4	5.9	6.8	6.7	8.4
Interest rate	4.5	4.0	4.6	4.2	4.8
Effective tax rate	14.9	11.5	14.7	15.7	10.6
ROA	7.1	7.8	8.0	5.1	6.0
ROE	14.8	17.3	13.9	7.1	7.7

Sources: Company data, Thanachart estimates

General Disclaimers And Disclosures:

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued 65 Derivative Warrants which are ADVANC16C2210A, ADVANC16C2211A, AMAT16C2209A, AOT16C2212A, AOT16C2209A, BANPU16C2210A, BCH16C2211A, BGRI16C2209A, BLA16C2208A, BLA16C2209A, CBG16C2210A, CENTEL16C2209A, COM716C2208A, COM716C2209A, COM716C2211A, COM716C2211B, COM716C2211C, CPALL16C2211A, EA16C2209A, EA16C2211A, ESSO16C2209A, ESSO16C2209B, FORTH16C2211A, GPSC16C2209A, GULF16C2210A, GUNK16C2209A, HANA16C2209A, HANA16C2211A, IVL16C2209A, IVL16C2211A, JMART16C2210A, JMART16C2211A, JMT16C2210A, JMT16C2211A, KBAN16C2208A, KBAN16C2209A, KBANK16C2211A, KCE16C2208A, KCE16C2209A, KCE16C2211A, KTC16C2211A, KTC16C2209A, MINT16C2211A, MTC16C2209A, PTG16C2211A, PTG16C2209A, PTTE16C2209A, RBF16C2209A, RCL16C2208A, SAWAD16C2211A, S5016C2209A, S5016P2209A, SAWA16C2209A, SCB16C2211A, SCB16C2208A, SET5016C2209B, SET5016P2209B, SPRC16C2209A, STEC16C2209A, TIDLOR16C2212A, TOP16C2211A, TTA16C2208A, TTA16C2211A, TU16C2210A, WHA16C2209A (underlying securities are ADVANC, AMATA, AOT, BANPU, BCH, BGRIM, BLA, CBG, CENTEL, COM7, CPALL, EA, ESSO, FORTH, GPSC, GULF, GUNKUL, HANA, IVL, JMART, JMT, KBANK, KCE, KTC, MINT, MTC, PTG, PTTEP, RBF, RCL, SAWAD, SCB, SET50, SPRC, STEC, TIDLOR, TOP, TTA, TU, WHA). before making investment decisions.

Note: Our major shareholder TCAP (Thanachart Capital Pcl) which holding 50.96% of Thanachart Securities and also TCAP holding 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 Co. Ltd has stake in THANI for 60% and being the major shareholder of THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 23% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Disclosure of Interest of Thanachart Securities

Investment Banking Relationship

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: The One Enterprise Pcl. (ONEE TB)