

JMT Network Services Pcl (JMT TB) - BUY, Price Bt49.5, TP Bt90.0**Results Comment**

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Weaker-than-expected 4Q22 profits

- JMT's 4Q22 profits came in much weaker than expected at Bt490m, up only 3% y-y and 8% q-q. 2022 profits of Bt1.75bn, up 25% y-y and accounted for only 90% of our full-year forecast.
- The company announced to pay dividend of Bt0.59 per share. XD and payment dates are set on 11 April and 2 May 2023.
- The weakness was mainly on the margin side due to higher personnel and litigation expenses of Bt60m, of which Bt31m to be booked in 4Q22 and smaller reversal of expected credit losses. Cash collection was Bt1.34bn in 4Q22 and Bt5.55bn for last year. This is vs our full-year projection of Bt5.7bn.
- The rising expenses have led to lower gross margin and higher SG&A expenses of which the company expects such investments would lead to higher cashflow and greater performance in 2023.
- However, JK has performed much greater than what we had assumed. Operating only in two quarters, JK's cash collection stood at Bt797m with profits generation of Bt196m in 2022.
- Holding 50% in JK, JMT realized equity income from JK of Bt63m in 4Q22 vs Bt35m in 3Q22.
- We see downsides to our forecast. But with a drastic pullback in share prices over past month, we believe bad news have been discounted in. Maintain BUY.

Income Statement						Income Statement					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(Bt m)	q-q%	y-y%	% 2022F	2022A	2023F
Total Income	1,051	1,079	1,087	1,101	1,142	Total Income	4	9	98	4,408	5,713
Gross profit	747	732	712	765	742	Gross profit	(3)	(1)	93	2,949	4,262
SG&A	108	288	199	267	180	SG&A	(33)	67	105	934	1,081
Operating profit	639	445	513	497	561	Operating profit	13	(12)	88	2,015	3,181
Cash collection	1,370	1,458	1,337	1,416	1,337	Cash collection	(6)	(2)	97	4,578	7,340
Non-operating income	12	20	4	6	15	Non-operating income	141	22	221	46	26
Non-operating expenses	(1)	(10)	0	1	(5)	Non-operating expenses	na	na	139	(14)	(10)
Interest expense	(100)	(71)	(66)	(51)	(94)	Interest expense	na	na	119	(283)	(219)
Profit before tax	553	403	451	451	487	Profit before tax	8	(12)	86	1,792	2,998
Income tax	81	63	48	35	63	Income tax	81	(23)	92	209	450
Equity & invest. income	0	0	(0)	35	63	Equity & invest. income	77		138	98	209
Minority interests	6	27	30	4	3	Minority interests	(23)	(48)	232	64	29
Extraordinary items	0	0	0	0	0	Extraordinary items			na	0	0
Net profit	477	367	433	456	490	Net profit	8	3	90	1,746	2,786
Normalized profit	477	367	433	456	490	Normalized profit	8	3	90	1,746	2,786
EPS (Bt)	0.35	0.27	0.30	0.31	0.34	EPS (Bt)	8	(4)	92	1.19	1.90
Normalized EPS (Bt)	0.35	0.27	0.30	0.31	0.34	Normalized EPS (Bt)	8	(4)	92	1.19	1.90

Balance Sheet						Financial Ratios					
(consolidated)						12M as					
Yr-end Dec (Bt m)	4Q21	1Q22	2Q22	3Q22	4Q22	(%)	4Q21	1Q22	2Q22	3Q22	4Q22
Cash & ST investment	8,438	9,696	3,315	3,356	5,497	Total Income grow th	19.3	33.3	33.2	16.0	8.7
A/C receivable	725	792	1,022	857	804	Operating profit grow th	45.8	6.6	25.2	6.3	(12.2)
Properties foreclosed	979	1,234	1,559	1,648	1,686	Cash collection grow th	42.86	45.07	37.84	14.10	(2.41)
Other current assets	943	1,104	1,159	1,399	1,785	Norm profit grow th	44.5	29.7	50.0	29.5	2.7
Investment	15,832	15,580	15,220	15,010	17,581	Norm EPS grow th	3.2	(5.5)	12.3	(0.9)	(3.8)
Fixed assets	338	331	331	328	310	Gross margin	71.1	67.9	65.5	69.5	64.9
Other assets	781	831	5,896	6,128	6,199	Operating margin	60.8	41.2	47.2	45.2	49.1
Total assets	28,036	29,568	28,500	28,725	33,862	Norm net margin	45.4	34.0	39.8	41.4	42.9
S-T debt	2,466	3,811	2,253	2,702	2,837	D/E (x)	0.4	0.3	0.2	0.2	0.4
A/C payable	885	426	211	161	652	Net D/E (x)	(0.1)	(0.2)	0.1	0.1	0.2
Other current liabilities	580	662	574	590	745	Interest coverage (x)	6.8	6.7	8.4	10.4	6.4
L-T debt	4,919	2,492	2,493	2,564	6,413	Interest rate	4.6	4.2	4.8	4.1	5.2
Other liabilities	109	105	112	111	127	Effective tax rate	14.7	15.7	10.6	7.7	12.9
Minority interest	46	18	77	73	72	ROA	8.0	5.1	6.0	6.4	6.3
Shareholders' equity	19,032	22,054	22,780	22,523	23,016	ROE	13.9	7.1	7.7	8.0	8.6
Working capital	819	1,601	2,369	2,343	1,838						
Total debt	7,385	6,302	4,745	5,266	9,250						
Net debt	(1,053)	(3,393)	1,431	1,910	3,752						

Sources: Company data, Thanachart estimates

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