

BUY (Unchanged)

Change in Numbers

TP: Bt 50.00

Upside : 37.0%

(From: Bt 90.00)

17 JULY 2023

JMT Network Services (JMT TB)

Clearer visibility

Having been de-rated by 49% from its peak, JMT looks very much a bargain to us and we reaffirm our BUY call with a lower TP of Bt50. In light of all-time high cash collection in 2Q23 and its largest-ever NPL backlog on hand, JMT looks on track for better earnings momentum and we estimate a three-year EPS CAGR of 22% over 2023-25F.



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New-high cash collection

After the disappointments in 4Q22-1Q23, JMT's cash collection hit a record high in 2Q23. We expect total cash collection of Bt2.06bn in 2Q23F vs. Bt1.94bn in 1Q23 and Bt1.75bn in 4Q22. Unlike the past three quarters when the growing momentum was led mainly by JK, its JVAMC with KASIKORNBANK Pcl (KBANK TB, BUY, Bt134.50), JMT's cash collection grew 9% y-y and 7% q-q to a new high of Bt1.46bn. JMT's better performance was backed by growing repayments of NPLs it acquired in 4Q22-1Q23 of Bt4.3bn. Although we were too optimistic and cut our 2023-25F cash-collection assumptions by an average of 21%, we estimate JMT's cash-collection growth of 13%, 18%, and 9% respectively.

All-time high NPL acquisitions

With plenty of NPL supply, JMT won its largest-ever auction amount in 2Q23. As they are unsecured NPLs, we expect JMT to have invested Bt7bn in 2Q23F for Bt60bn worth of NPLs to bring total NPLs under management to over Bt334bn and Bt440bn, including JK, in 1H23F. The NPL acquisition outlook is still bright for the latter half of the year as COVID-forgiveness programs approach an end. JMT expects minimum NPL investments of Bt10bn with the potential to hit Bt15bn for 2023. We lift our JMT 2023-25F NPL investment assumptions by an average of 39%.

More than double profit contribution from JK

Thanks to the good collaboration between JMT and KBANK, JK has performed much better than what we had assumed earlier, and the venture has played a major role in driving up JMT's profits. From Bt98m in 2H22, JK's equity income contribution rose to Bt134m in 1Q23, and we expect total equity income contribution of Bt270m this year and Bt269m in 2024, factoring in a 5% reduction of JMT's economic interest in JK from 2Q23. Our forecasted profits are based on JK's NPLs under management growing from Bt108bn in 1Q23 to Bt142bn in 2023 with an average cash-collection yield of 4% over these two years.

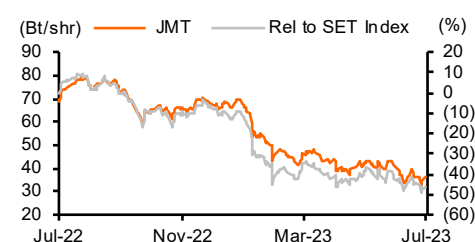
A good time to BUY with a Bt50 TP

Admittedly, we were too optimistic about JMT's cash-collection outlook and, along with our lower SET valuation multiple, we cut our earnings by 26% and DCF-based 12-month TP (2024F base year) to Bt50 (from Bt90). Having been de-rated by 49% from its peak of Bt71 in January, JMT's disappointing earnings look to have been fully factored in. Backed by growing cash collection and JK's decent profit contribution, we project net profits of Bt477m, up 10% y-y and 5% q-q in 2Q23F. In addition to the 2H seasonality effect, we expect much stronger profits in 2H23F and 2024F thanks to the rising cash-collection momentum of its recently acquired unsecured NPLs of Bt60bn in 2Q23.

COMPANY VALUATION

Y/E Dec (Bt m)	2022A	2023F	2024F	2025F
Total Income	4,408	5,084	5,924	6,527
Net profit	1,746	2,091	2,642	3,272
Consensus NP	—	2,055	2,412	2,590
Diff frm cons (%)	—	1.7	9.5	26.3
Norm profit	1,746	2,091	2,642	3,272
Prev. Norm profit	—	2,655	3,648	4,607
Chg frm prev (%)	—	(21.3)	(27.6)	(29.0)
Norm EPS (Bt)	1.2	1.4	1.8	2.2
Norm EPS grw (%)	5.6	19.8	26.4	23.9
Norm PE (x)	30.7	25.6	20.3	16.4
EV/Net cash collection (x)	16.9	17.8	15.9	13.2
P/BV (x)	2.3	2.3	2.2	2.1
Div yield (%)	3.0	3.1	3.9	4.9
ROE (%)	8.3	9.0	11.1	13.3
Net D/E (%)	16.3	55.0	72.7	77.1

PRICE PERFORMANCE



COMPANY INFORMATION

Price: (Bt) as of 17-Jul-23	36.50
Market Cap (US\$ m)	1,547.8
Listed Shares (m shares)	1,467.3
Free Float (%)	45.8
Avg. Daily Turnover (US\$ m)	19.7
12M Price H/L (Bt)	79.00/33.00
Sector	Finance
Major Shareholder	JMART 53.63%

Sources: Bloomberg, Company data, Thanachart estimates

Flooded by too many negatives

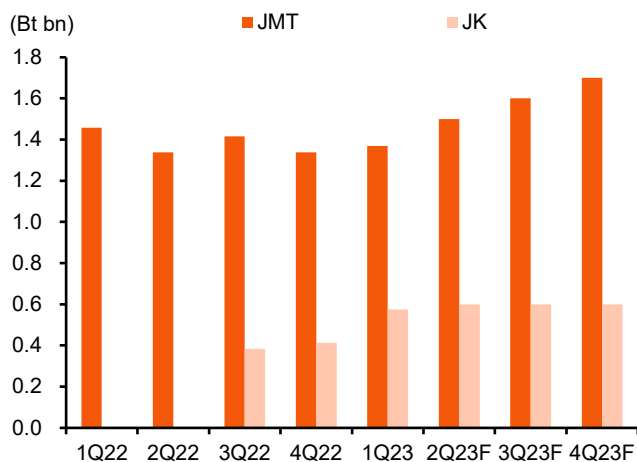
Market concerns have been overwhelming

JMT Network Services Pcl's (JMT) share price has fallen sharply by 47% YTD. The counter has been the worst-performing finance stock under our coverage, underperforming the Stock Exchange of Thailand (SET) Index by over 40% over the same period.

We believe the steep correction was a result of the following market concerns:

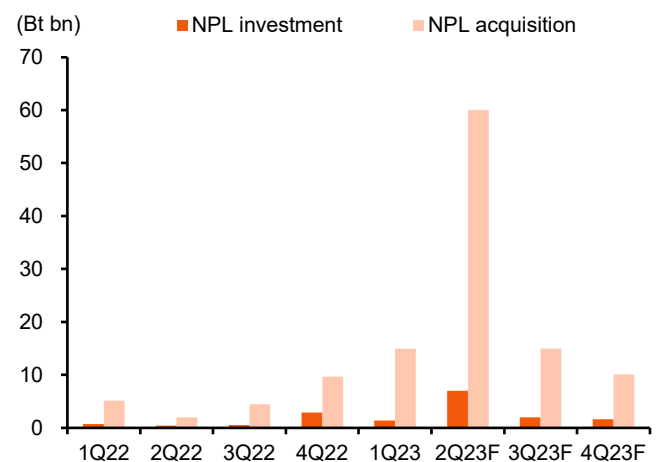
- 1) **Weak cash collection and disappointing earnings over 4Q22 and 1Q23.** We see these factors as valid concerns, and therefore revise down our earnings estimates by an average of 26% over 2023-25F. However, we believe the worst is over and we foresee clearer cash collection and earnings visibility from 2Q23F. Please see the next section of this report for further details.
- 2) **Front-loaded investments that were higher than expected to support more aggressive NPL acquisitions and JK's operations.** This is also a valid concern, in our view, but we believe most of the investments to expand offices and increase collection capacity has already been made. As for JK, we see the venture benefiting KASIKORNBANK Pcl (KBANK TB, BUY, Bt134.50) more than JMT. However, JK's performance has been better than we'd assumed earlier and even factoring in JMT's lower economic interest in JK at 45% from 50% in 2Q23, we revise up JK's equity income contributions up by 29% in 2023F and 77% in 2024F.
- 3) **Lower NPL supply due to Bank of Thailand (BOT) debt-relief programs and measures to reduce household debt.** Admittedly, NPL supply came down during the COVID-forgiveness programs that were widely participated in. Since the program will expire by the end of this year, NPL supply has returned to the pre-COVID level, and JMT won its largest-ever auction amount in 2Q23. As they are unsecured NPLs, we expect JMT to spend Bt7bn for Bt60bn worth of NPLs in 2Q23 to bring JMT's total NPLs under management to over Bt334bn, and Bt440bn including JK in 1H23F. The NPL acquisition outlook is still bright in the latter half of the year, and JMT expects minimum NPL investments of Bt10bn with the potential to hit Bt15bn in 2023. We lift our JMT NPL investment assumptions by an average of 100% in 2023F and 33% in 2024F.
- 4) **Larger portion of NPLs over 10 years old.** This means the expiry of JMT's litigation rights over these bad debts. Starting the business in 2006, JMT's 10-year-old plus NPLs have been growing over time. But this is not a hindrance to its collection capability as JMT still has the right of claim over these debts. And the company does not force debtors to repay loans using litigation. The company's debt-collection efforts are mainly carried out by offering effective debt-restructuring plans, and this answers the question of why it is still able to collect cash flow from the bad debts it has acquired since 2006. So, we see market concerns over this issue being unwarranted.

Ex 1: Cash Collection By Quarter



Sources: Company data, Thanachart estimates

Ex 2: JMT's NPL Investments



Sources: Company data, Thanachart estimates

Ex 3: Cash Collection As % Of Investments

(Bt m)	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Investment costs	39	16	49	74	122	384	399	439	1,613	1,319	906	1,598	2,583	3,368	3,516	8,701	4,582
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%	
2022	576%	326%	500%	613%	328%	335%	288%	195%	194%	186%	307%	186%	93%	69%	64%	30%	7%

Sources: Company data

All-time high collection and NPL acquisitions

Growing cash collection at JMT and JK

We held a discussion with JMT's management and felt more comfortable with the company's cash-collection outlook and earnings visibility. Despite not being in the high season, cash collection has hit an all-time high, and we expect its collection to grow by 9% y-y and 7% q-q to Bt1.46bn in 2Q23F. The decent outcome is a result of growing repayments of NPLs that it acquired over 4Q22-1Q23 of Bt4.3bn.

The JK venture continues to do well thanks to the strong collaboration between KBANK and JMT to locate borrowers, along with offering effective restructuring plans. Including JK, we project a total cash-collection figure of Bt2.06bn in 2Q23 vs. Bt1.94bn in 1Q23 and Bt1.75bn in 4Q22.

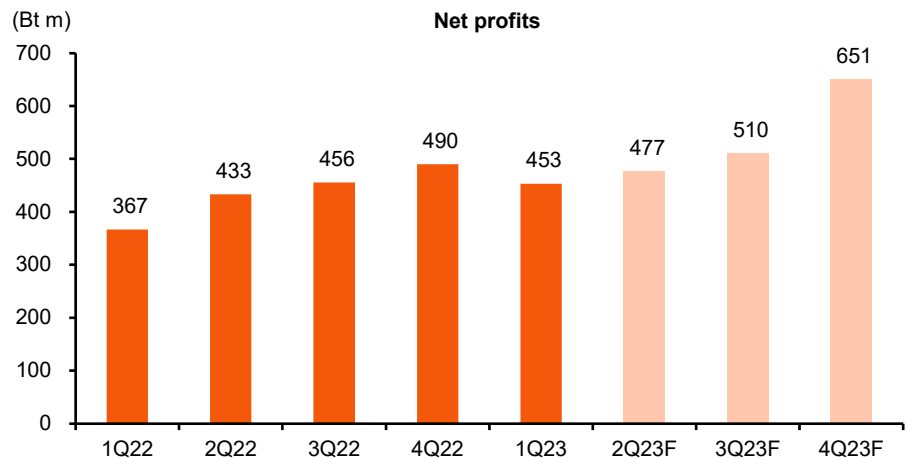
Won the largest auction amount ever in June 2023

In addition to strong cash-collection momentum, JMT acquired more NPLs in the quarter. The company spent Bt1.4bn to purchase NPLs of Bt14.9bn in 1Q23, and we expect it to have invested around Bt7bn to win the bids for unsecured NPLs worth Bt60bn in June this year. This would bring total NPLs under management to over Bt334bn and Bt440bn,

including JK, in 1H23F. With abundant NPL supply, JMT is looking to acquire more NPLs in 2H23F. The company has set an NPL investment budget of Bt10bn-15bn for this year.

Thanks to growing cash collection, we estimate net profits of Bt477m in 2Q23F. This implies earnings growth of 10% y-y and 5% q-q. Cash-collection momentum looks set to be even stronger in 2H23F due to the seasonality effect and increasing repayments of recently acquired NPLs of Bt60bn, as mentioned earlier. We expect stronger earnings in 2H23F and estimate earnings growth of 20% in 2023F and 26% in 2024F.

Ex 4: Improving Earnings Momentum



Sources: Company data, Thanachart estimates

BUY with a new, lower Bt50 TP

Although we foresee improving cash-collection momentum, our cash-collection assumptions were too optimistic previously and we need to revise them down by an average of 21% over 2023-25F. Even though we incorporate higher equity income contributions from JK, we still cut our earnings estimates by 21% this year, 28% in 2024F, and 29% in 2025F. The earnings cuts, along with us assigning a lower valuation multiple for the SET, lead us to lower our DCF-based 12-month TP, using a 2024F base year, to Bt50 from Bt90 previously.

Ex 5: Earnings Revisions

	2019	2020	2021	2022	2023F	2024F	2025F
Net profits (Bt bn)							
- New	0.68	1.05	1.40	1.75	2.09	2.64	3.27
- Old					2.66	3.65	4.61
- Change (%)					(21.26)	(27.59)	(28.98)
JMT's cash collection (Bt bn)							
- New	3.23	3.70	4.58	5.55	6.27	7.36	8.03
- Old					7.47	9.28	11.10
- Change (%)					(16.08)	(20.64)	(27.69)
Cost of services (Bt bn)							
- New	1.11	1.03	1.03	1.46	1.49	1.51	1.54
- Old					1.45	1.57	1.65
- Change (%)					2.75	(3.67)	(6.54)
SG&A expenses (Bt bn)							
- New	0.39	0.64	0.66	0.93	0.97	1.04	1.03
- Old					0.99	1.05	1.10
- Change (%)					(2.22)	(0.64)	(6.57)
JK's equity income (Bt bn)							
- New				0.10	0.27	0.27	0.46
- Old					0.21	0.15	0.09
- Change (%)					29.10	76.72	393.09
NPL investments (Bt bn)							
- New	3.37	3.52	8.70	4.58	12.00	8.00	5.00
- Old					6.00	6.00	6.00
- Change (%)					100.00	33.33	(16.67)

Sources: Company data, Thanachart estimates

Ex 6: 12-month DCF-based TP Calculation Using A Base Year Of 2024F

(Bt m)	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	2033F	Terminal Value
EBITDA	3,434	4,006	4,519	4,945	5,336	5,737	6,148	6,569	6,999	7,438	—
Free cash flow	340	3,977	4,604	5,138	5,703	6,267	6,700	7,123	7,539	7,949	121,749
PV of free cash flow	341	3,397	3,634	3,748	3,844	3,904	3,857	3,664	3,568	3,462	53,024
Risk-free rate (%)	2.5										
Market risk premium (%)	8.0										
Beta	1.0										
WACC (%)	7.7										
Terminal growth (%)	2.0										
Enterprise value, incl. investments	86,442										
Net debt (2023F)	12,972										
Minority Interest	96										
Equity value (Bt m)	73,374										
No .of shares (m)	1,467										
Equity value/ share (Bt)	50.00										

Sources: Company data, Thanachart estimates

Despite our earnings and TP cuts, we reaffirm BUY on JMT for the following reasons:

- 1) Having been de-rated by 49% from its peak of Bt71/share in January 2023, we believe JMT's disappointing earnings over the past year have been fully discounted. Valuation no longer looks excessive to us at a 2023F PE multiple of 26x, falling to 20x in 2024F vs. a three-year EPS growth GAGR of 22% over 2023-25F.
- 2) Backed by its growing cash collection and decent profit contributions of JK, we estimate net profits of Bt477m, up 10% y-y and 5% q-q in 2Q23F. In addition to the seasonality effect in 2H, we expect much stronger profits in 2H23F and 2024F thanks to the rising repayment momentum of its recently acquired NPLs of Bt60bn in 2Q23F.
- 3) NPL acquisitions look to be moving in JMT's favor. The company won its largest auction amount ever at reasonable prices in 2Q23 and looks to invest further in the latter half of the year. This should help secure JMT's NPL backlog to support its revenue-generating stream for many years to come.
- 4) Aligning with its balance sheet clean-up, we expect KBANK to sell more NPLs to JK. With its own credit line, JK is able to finance NPL acquisitions using debt. This implies a limited need for equity injections from JMT.

Valuation Comparison

Ex 7: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth		— PE —		— P/BV —		— ROE —		— Div. yield —	
			23F	24F	23F	24F	23F	24F	23F	24F	23F	24F
Afterpay Ltd	APT AU	Australia	na	236.6	na	na	na	na	6.6	16.8	na	na
Finvolution Group	FINV US	China	453.3	14.3	0.6	0.5	0.1	0.1	18.0	17.8	31.2	34.3
Mahindra & Mahindra Fin Secs	MMFS IN	India	(9.0)	20.8	20.9	17.3	2.3	2.0	10.8	12.5	1.2	1.6
Bajaj Finance Ltd	BAF IN	India	(2.1)	23.7	40.3	32.5	8.5	6.9	23.1	23.3	0.3	0.4
Manappuram Finance Ltd	MGFL IN	India	0.5	18.5	7.3	6.1	1.2	1.0	16.5	17.1	2.6	2.8
GMO Payment Gateway Inc.	3769 JP	Japan	(46.5)	27.3	66.3	52.1	9.5	8.6	14.7	17.9	0.7	0.9
Infomart Corp.	2492 JP	Japan	0.0	149.0	276.0	110.8	6.9	6.6	2.5	6.1	0.2	0.5
Ally Financial Inc	ALLY US	US	(31.6)	37.3	7.9	5.8	0.7	0.6	8.7	10.6	4.4	4.5
World Acceptance Corp	WRLD US	US	na	na	445.4	17.1	2.2	1.8	1.2	10.4	na	na
Navient Corp	NAVI US	US	(28.1)	(6.3)	5.9	6.3	0.8	0.7	13.4	11.1	3.3	3.3
SLM Corp	SLM US	US	48.8	3.8	6.2	6.0	2.3	2.0	37.2	35.8	2.8	2.8
Amanah Leasing	AMANA TH	Thailand	(15.7)	35.6	10.0	7.4	1.3	1.3	13.7	17.9	6.0	8.0
Asia Sermkij Leasing *	ASK TB	Thailand	18.1	19.1	7.5	6.3	1.2	1.1	16.7	18.2	6.7	8.0
Bangkok Commercial Asset Mgt.*	BAM TB	Thailand	(11.7)	7.4	14.5	13.5	0.8	0.8	5.5	5.8	5.1	4.8
Chayo Group	CHAYO TB	Thailand	60.1	(9.1)	18.6	20.5	1.6	1.5	10.4	7.6	1.9	1.9
JMT Network Services *	JMT TB	Thailand	19.8	26.4	25.6	20.3	2.3	2.2	9.0	11.1	3.1	3.9
Krungthai Card *	KTC TB	Thailand	4.0	15.4	16.3	14.1	3.4	2.9	21.9	22.2	2.8	3.2
Muangthai Capital *	MTC TB	Thailand	8.4	24.5	14.5	11.6	2.4	2.0	17.6	18.8	1.1	1.4
Saksiam Leasing *	SAK TB	Thailand	20.4	20.3	12.2	10.2	1.8	1.6	15.2	16.7	3.3	3.9
Srisawad Corporation *	SAWAD TB	Thailand	26.2	28.2	11.8	9.2	2.3	2.0	20.1	22.8	4.2	5.4
Ratchthani Leasing *	THANI TB	Thailand	9.6	10.5	9.6	8.7	1.4	1.3	15.0	15.5	5.8	6.4
Ngern Tid Lor *	TIDLOR TB	Thailand	12.5	22.0	15.9	13.0	2.3	2.1	15.3	16.7	1.3	1.5
Average			26.8	34.5	49.2	18.5	2.6	2.3	14.2	16.0	4.4	5.0

Source: Bloomberg

Note: * Thanachart estimates using normalized EPS growth

Based on 17 Jul 2023 closing price

Our major shareholder TCAP (Thanachart Capital Pcl) holds 89.96% 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

JMT Network Services (JMT) provides three 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) Its 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

O — Opportunity

- Increasing penetration to secure NPLs

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.

T — Threat

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

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	61.57	50.00	-19%
Net profit 23F (Bt m)	2,055	2,091	2%
Net profit 24F (Bt m)	2,412	2,642	10%
Consensus REC	BUY: 8	HOLD: 1	SELL: 0

HOW ARE WE DIFFERENT FROM THE STREET?

- We believe we are ahead of the Bloomberg consensus in incorporating all-time high cash collection and NPL acquisitions in 2Q23F.
- Our TP is lower, which we attribute to us being more conservative than the Street on JMT's valuation multiple.

Sources: Bloomberg consensus, Thanachart estimates

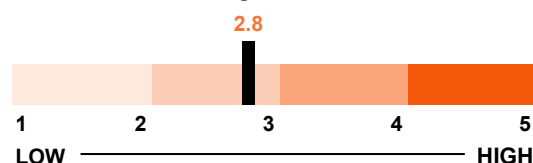
RISKS TO OUR INVESTMENT CASE

- If JMT were to collect cash at lesser amounts than we currently assume, this would represent the key downside risk to our earnings and TP.
- Higher-than-expected operating costs are a secondary downside risk to our call.
- Downside 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

JMT is Thailand's largest unsecured debt-management company, with around 3,000 staff. JMT's environmental impact is quite small though we believe the company realizes the importance of sustainable development. However, given JMT's unclear ESG targets, we assign an ESG score of 2.8.

Thanachart ESG Rating



	SETTHSI Index	THSI Index	DJSI Index	MSCI (CCC-AAA)	Arabesque S-Ray (0-100)	Refinitiv (0-100)	S&P Global (0-100)	Moody's (0-100)	CG Rating (0-5)
JMT	-	-	-	BBB	-	12.72	8.00	-	4.0

Sources: SETTRADE, SETTHSI Index, Thailand Sustainability Investment (THSI), The Dow Jones Industrial Average (DJSI), MSCI ESG Research LLC, Arabesque S-Ray®, Refinitiv ESG Information, S&P Global Market Intelligence, Moody's ESG Solutions, Thai IOD (CG rating)
Note: Please see third party on "term of use" in the following back page.

Factors

Our Comments

ENVIRONMENT

- Environmental Policies & Guidelines
- Energy Management
- Carbon Management
- Water Management
- Waste Management

- JMT realizes the importance of environmental changes and their impact on society and communities. It has prepared measures to reduce its environmental impact from within.
- JMT's policy is to reduce the consumption of energy, water, and waste.
- The company has reduced paper use by using e-slips and e-documents.
- Staff must bring their own cups to the office, so this helps cut the use of paper cups.

SOCIAL

- Human Rights
- Staff Management
- Health & Safety
- Product Safety & Quality
- Social Responsibility

- JMT believes it provides fair compensation and ensures that its employees have decent welfare benefits and ample medical help.
- All employees have passed ethics training.
- JMT has launched many CSR projects and had its staff participate in the programs.

GOVERNANCE &
SUSTAINABILITY

- Board
- Ethics & Transparency
- Business Sustainability
- Risk Management
- Innovation

- JMT's board of directors (BOD) comprises six directors, which we regard as acceptable for its business size and scope. Three are on its management team, and the other three are independent directors.
- All of the audit committee members are independent directors.
- A whistle-blowing process has been established to ensure the transparency of JMT's corporate environment.

Sources: Thanachart, Company data

INCOME STATEMENT

Improving cash collection

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Total income	3,625	4,408	5,084	5,924	6,527
Cost of sales	1,034	1,459	1,488	1,515	1,543
Gross profit	2,591	2,949	3,596	4,410	4,984
% gross margin	71.5%	66.9%	70.7%	74.4%	76.4%
Selling & administration expenses	657	934	970	1,041	1,031
Operating profit	1,934	2,015	2,626	3,369	3,954
% operating margin	53.3%	45.7%	51.7%	56.9%	60.6%
Amortization of investment	1,690	1,816	1,891	2,186	2,278
Cash collection	3,704	4,578	5,548	6,268	7,364
% cash collection yield	23.4%	26.0%	20.9%	20.5%	23.5%
Non-operating income	25	46	52	60	66
Non-operating expenses	6	14	14	19	24
Interest expense	(345)	(283)	(401)	(466)	(509)
Pre-tax profit	1,620	1,792	2,291	2,982	3,535
Income tax	241	209	458	596	707
After-tax profit	1,379	1,584	1,833	2,385	2,828
% net margin	38.1%	35.9%	36.1%	40.3%	43.3%
Shares in affiliates' Earnings	0	98	270	269	457
Minority interests	21	64	(12)	(13)	(13)
Extraordinary items	0	0	0	0	0
NET PROFIT	1,400	1,746	2,091	2,642	3,272
Normalized profit	1,400	1,746	2,091	2,642	3,272
EPS (Bt)	1.1	1.2	1.4	1.8	2.2
Normalized EPS (Bt)	1.1	1.2	1.4	1.8	2.2

BALANCE SHEET

High NPL investments

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
ASSETS:					
Current assets:	11,085	9,772	8,108	8,270	9,819
Cash & cash equivalent	8,438	5,497	3,300	2,300	2,300
Account receivables	725	804	933	1,087	1,198
Properties foreclosed	979	1,686	2,393	3,156	4,418
Others	943	1,785	1,482	1,726	1,902
Investments & loans	15,829	22,704	31,921	36,270	37,434
Net fixed assets	338	310	283	267	265
Other assets	784	1,076	1,170	1,264	1,357
Total assets	28,036	33,862	41,482	46,071	48,875
LIABILITIES:					
Current liabilities:	3,931	4,233	11,147	14,604	16,096
Account payables	885	652	652	664	676
Bank overdraft & ST loans	300	0	100	105	110
Current LT debt	2,166	2,837	9,526	12,869	14,247
Others current liabilities	580	745	869	966	1,062
Total LT debt	4,919	6,413	6,647	7,020	7,416
Others LT liabilities	109	127	122	119	116
Total liabilities	8,959	10,773	17,915	21,743	23,628
Minority interest	46	72	84	96	110
Preferreds shares	0	0	0	0	0
Paid-up capital	684	730	734	734	734
Share premium	16,810	20,539	20,539	20,539	20,539
Warrants	0	0	0	0	0
Surplus	66	(106)	(106)	(106)	(106)
Retained earnings	1,472	1,854	2,316	3,065	3,971
Shareholders' equity	19,032	23,016	23,483	24,231	25,138
Liabilities & equity	28,036	33,862	41,482	46,071	48,875

Sources: Company data, Thanachart estimates

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2021A	2022A	2023F	2024F	2025F
Earnings before tax	1,620	1,792	2,291	2,982	3,535
Tax paid	(204)	(237)	(373)	(546)	(657)
Depreciation & amortization	125	153	88	77	64
Chg In working capital	(675)	(1,019)	(836)	(905)	(1,360)
Chg In other CA & CL / minorities	(311)	39	112	71	328
Cash flow from operations	554	729	1,282	1,678	1,910
Capex	(158)	(63)	(50)	(50)	(50)
Right of use	(59)	(3)	(3)	(3)	(3)
ST loans & investments	282	(500)	500	0	0
LT loans & investments	(6,334)	(6,875)	(9,217)	(4,349)	(1,165)
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	(88)	(333)	(108)	(105)	(105)
Cash flow from investments	(6,358)	(7,773)	(8,878)	(4,507)	(1,323)
Debt financing	198	1,865	7,023	3,722	1,779
Capital increase	13,075	3,775	4	0	0
Dividends paid	(887)	(1,318)	(1,629)	(1,893)	(2,366)
Warrants & other surplus	(281)	(219)	0	0	0
Cash flow from financing	12,105	4,104	5,398	1,829	(586)
Free cash flow	396	666	1,232	1,628	1,860

*Low gearing***VALUATION**

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Normalized PE (x)	32.4	30.7	25.6	20.3	16.4
Normalized PE - at target price (x)	44.4	42.0	35.1	27.8	22.4
PE (x)	32.4	30.7	25.6	20.3	16.4
PE - at target price (x)	44.4	42.0	35.1	27.8	22.4
EV/Net cash collection (x)	17.1	16.9	17.8	15.9	13.2
EV/Net cash collection - at target price (x)	23.6	22.8	23.1	20.3	16.8
P/BV (x)	2.8	2.3	2.3	2.2	2.1
P/BV - at target price (x)	3.9	3.2	3.1	3.0	2.9
P/CFO (x)	81.9	73.4	41.8	31.9	28.0
Price/sales (x)	14.8	12.1	10.5	9.0	8.2
Dividend yield (%)	2.1	3.0	3.1	3.9	4.9
FCF Yield (%)	0.9	1.2	2.3	3.0	3.5
(Bt)					
Normalized EPS	1.1	1.2	1.4	1.8	2.2
EPS	1.1	1.2	1.4	1.8	2.2
DPS	0.8	1.1	1.1	1.4	1.8
BV/share	13.0	15.7	16.0	16.5	17.1
CFO/share	0.4	0.5	0.9	1.1	1.3
FCF/share	0.3	0.5	0.8	1.1	1.3

Sources: Company data, Thanachart estimates

Inexpensive valuation, in our view

FINANCIAL RATIOS

FY ending Dec	2021A	2022A	2023F	2024F	2025F
Growth Rate					
Total Income (%)	13.6	21.6	15.3	16.5	10.2
Net profit (%)	33.7	24.7	19.8	26.4	23.9
EPS (%)	33.7	5.6	19.8	26.4	23.9
Normalized profit (%)	33.7	24.7	19.8	26.4	23.9
Normalized EPS (%)	33.7	5.6	19.8	26.4	23.9
Dividend payout ratio (%)	80.1	90.8	80.0	80.0	80.0
Operating performance					
Cash collection yield (%)	23.4	26.0	20.9	20.5	23.5
Implied NPLs acquisition costs (%)	27.9	21.6	12.0	10.0	13.0
Cost of fund (%)	4.7	3.4	3.1	2.6	2.4
Gross margin (%)	71.5	66.9	70.7	74.4	76.4
Operating margin (%)	53.3	45.7	51.7	56.9	60.6
Net margin (%)	38.1	35.9	36.1	40.3	43.3
D/E (incl. minor) (x)	0.4	0.4	0.7	0.8	0.9
Net D/E (incl. minor) (x)	(0.1)	0.2	0.6	0.7	0.8
ROA - using norm profit (%)	6.6	5.6	5.6	6.0	6.9
ROE - using norm profit (%)	11.3	8.3	9.0	11.1	13.3
DuPont					
ROE - using after tax profit (%)	11.1	7.5	7.9	10.0	11.5
- asset turnover (x)	0.2	0.1	0.1	0.1	0.1
- operating margin (%)	54.2	47.1	53.0	58.2	62.0
- leverage (x)	1.7	1.5	1.6	1.8	1.9
- interest burden (%)	82.4	86.4	85.1	86.5	87.4
- tax burden (%)	85.1	88.4	80.0	80.0	80.0
WACC (%)	7.7	7.7	7.7	7.7	8.2
ROIC (%)	15.3	9.9	7.8	7.4	7.5
NOPAT (Bt m)	1,646	1,781	2,101	2,695	3,163

Sources: Company data, Thanachart estimates

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ESG risk combines the concepts of management and exposure to arrive at an absolute assessment of ESG risk. We identify five categories of ESG risk severity that could impact a company's enterprise value

Moody's ESG Solutions

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Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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