

27 OCTOBER 2021

THAILAND / ASSET MANAGEMENT COMPANIES

# JMT NETWORK SERVICES JMT TB

## BUY

UNCHANGED

TARGET PRICE	THB57.00
CLOSE	THB48.75
UP/DOWNSIDE	+16.9%
PRIOR TP	THB57.00
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	+6.5%

## Records are there to break

### Record high in all main items expected in 3Q21

In 3Q21, we expect JMT to deliver three records highs in its 1) net profit; 2) cash collection (CC); and 3) NPL acquisitions. We forecast a 3Q21 net profit of THB340m (+20% y-y, +18% q-q), driven mainly by two factors. First, we think its distressed asset management revenue will post solid growth. Amid the lockdown measures, JMT could have unprecedented CC of THB1,014m (+3% y-y, +5% q-q) from both its fully amortised and 'IRR' portfolios. Second, JMT has been able to efficiently control its OPEX. Thus, we expect its cost to income to decline to 41%. Regarding its NPL acquisitions, we expect JMT to aggressively acquire NPLs in 3Q21 for a total of THB1.5b, resulting in an all-time high of THB4.8b YTD.

### Climbing to the top in 4Q21 and 2022

We expect JMT to break its record again in 4Q21, with an initial net profit forecast of cTHB400m (+23% y-y, +19% q-q), supported by a continued increase in its CC and a strong profitability margin. We believe its CC momentum will surge after the economy reopens. We think it could start to harvest the aggressive NPL acquisitions it made in 1Q21. Moreover, we expect its fully amortised portfolio to increase to THB53.5b in 4Q21. This portfolio would not only increase its CC and revenue, but would also enhance its margin. We are convinced that these trends will continue in 2022. On top of that, JMT plans to aggressively purchase NPLs in 2022. Thus, we expect its 2022 net profit to jump by 69% y-y. Its 2022 EPS is set to increase by 29% y-y due to the dilution from the RO and JMT-W3.

### Minimal price dilution from XR

The XR date for the RO is 5 Nov-21. Based on our calculation, we think the price dilution at the XR date will be only 2-3%. The EPS dilution, in the event that the company does not utilise the capital to expand its business, would be 17-18%. However, we think JMT will use this capital to aggressively acquire NPLs. Thus, we see no significant EPS dilution. We recommend investors not be overly concerned.

### Reiterate BUY as a top pick with 2022 GGM-based TP of THB57

We maintain JMT as one of our top picks among diversified financials. We believe the company will deliver outstanding earnings vs its peers in both the short and long term. We view JMT as a stock to hedge against the economic downturn, supported by its unsecured portfolio. It should also grow with the economic recovery via its secured portfolio.

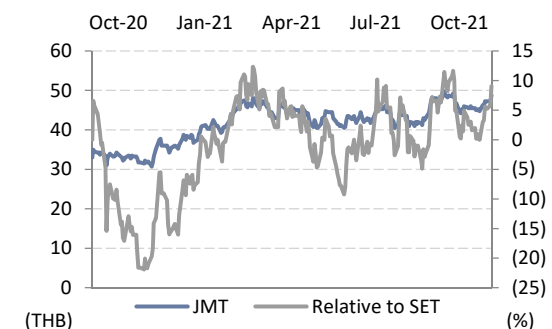


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## KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	1,210	1,635	2,759	4,013
Net profit	1,047	1,308	2,208	3,210
EPS (THB)	1.09	1.18	1.52	2.21
vs Consensus (%)	-	(5.4)	(6.9)	9.0
Core net profit	1,047	1,308	2,208	3,210
Core EPS (THB)	1.09	1.18	1.52	2.21
Chg. In EPS est. (%)	-	-	-	-
EPS growth (%)	42.0	7.8	29.1	45.4
Core P/E (x)	44.6	41.4	32.0	22.0
Dividend yield (%)	1.8	1.5	1.8	3.2
Price/book (x)	8.2	6.5	3.0	2.9
ROE (%)	23.0	18.7	13.9	13.3
ROA (%)	8.5	8.6	9.5	9.9



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	4.3	9.6	50.0
Relative to country (%)	4.0	3.5	10.8
Mkt cap (USD m)	1,660		
3m avg. daily turnover (USD m)	12.5		
Free float (%)	21		
Major shareholder	JMART Pcl. (54%)		
12m high/low (THB)	50.50/30.25		
Issued shares (m)	0		

Sources: Bloomberg consensus; FSSIA estimates

## Investment thesis

JMT has been in the distressed asset management business for more than 14 years, with more than 26 years in the debt collection business. Its longstanding experience and effective working processes have enabled it to maintain its position as the market leader in both businesses.

Under the economic downturn, we believe JMT is a good hedge against recession, as 1) we expect it to deliver resilient growth due to its diversified portfolio and small non-performing loan (NPL) ticket sizes; and 2) we think it will be the beneficiary of an NPL rise that we expect to see in 2022-23. These factors should lead JMT to have remarkable core profit growth. We, therefore, reiterate our BUY call on JMT.

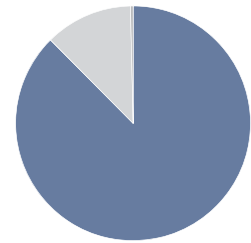
## Company profile

JMT provides three main types of services: 1) bad debt collection; 2) bad debt management – the company manages and collects bad debt purchased from financial institutions and corporations; and 3) an insurance business – the company provides both insurance brokerage services and non-life insurance services.

[www.jmntnetwork.co.th](http://www.jmntnetwork.co.th)

## Principal activities (revenue, 2020)

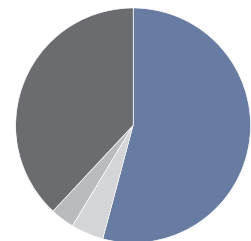
- NPLs management - 87.6 %
- Debt collection - 12.1 %
- Other income - 0.4 %



Source: JMT Network Services

## Major shareholders

- JMART Pcl. - 54.2 %
- Sereewattana family - 4.5 %
- Pongsak Tammatatharee - 3.3 %
- Others - 38.0 %



Source: JMT Network Services

## Catalysts

Potential catalysts to drive JMT's share price include 1) aggressive NPL acquisitions; and 2) an increase in its fully amortised portfolio volume.

## Risks to our call

Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.

## Event calendar

Date	Event
Mid-Nov 2021	3Q21 results announcement

## Key assumptions

	2021E (THB m)	2022E (THB m)	2023E (THB m)
Net profit	1,308	2,208	3,210
<i>Net profit growth (%)</i>	25.0	68.7	45.4
Cash collection	4,552	6,417	8,986
<i>Cash collection ratio (%)</i>	37.5	36.5	33.3
NPL + NPA purchases	5,449	10,000	15,000
<i>NPL + NPA purchase growth (%)</i>	55.0	83.5	50.0

Source: FSSIA estimates

## Earnings sensitivity

		----- 2021E -----		
<b>Cash collection ratio</b>	<b>±50bp</b>	<b>37.0</b>	<b>37.5</b>	<b>38.0</b>
<i>% change in net profit</i>		(3.5)	-	3.5
<b>Cost to income</b>	<b>±1ppt</b>	<b>44.4</b>	<b>45.4</b>	<b>46.4</b>
<i>% change in net profit</i>		(2.3)	-	2.3

Source: FSSIA estimates

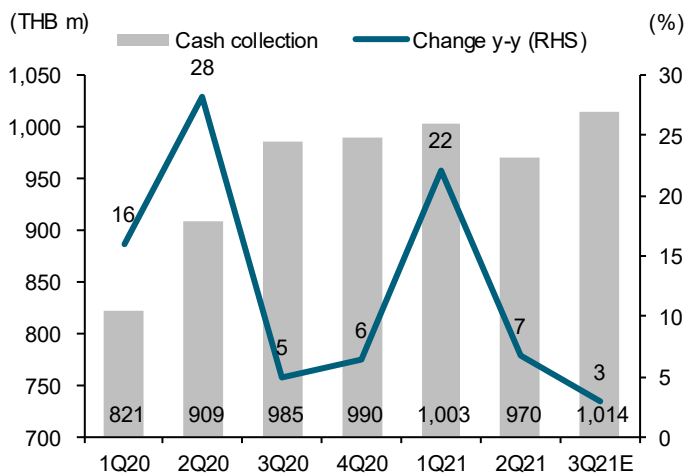
## Record high in all main items in 3Q21

We expect JMT to deliver a record high net profit in 3Q21 of THB340m (+20% y-y, +18% q-q), driven mainly by two factors. First, we think its distressed asset management revenue will post solid growth. Amid the lockdown measures, JMT could have unprecedented CC of THB1,014m (+3% y-y, +5% q-q) from both its fully amortised and 'IRR' portfolios. Second, JMT has been able to efficiently control its OPEX thanks to the implementation of its digital debt collection platform. Thus, we expect its cost to income to decline to 41.0% in 3Q21 from 45.3% and 46.1% in 2Q21 and 3Q20, respectively.

### Key highlights

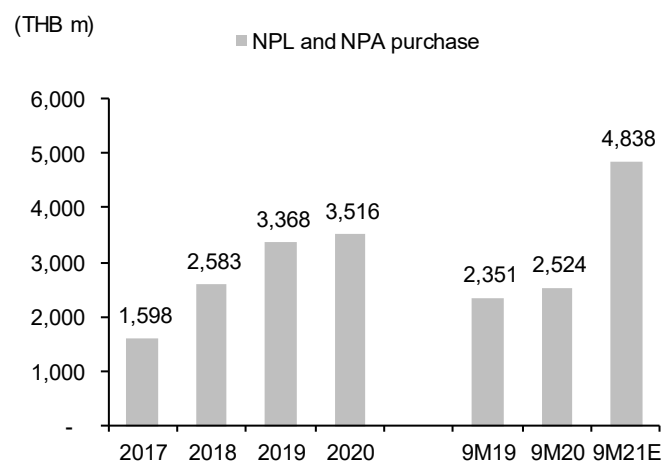
- Amid the lockdown measures, JMT could have strong CC of THB1,014m in 3Q21 (+3% y-y, +5% q-q) due to 1) the small ticket sizes, allowing its clients to be able to repay their loans amid the weak economy; and 2) its large portfolio, allowing the company to better manage its CC than its peers. Its CC slowed down in July to Aug-21. However, CC jumped significantly in Sep-21.
- We expect the fully amortised portfolio to increase moderately by THB8b YTD to THB51.5b from THB49.5b in 2Q21. This is in line with the company's target to accelerate its fully amortised portfolio to around THB8b-10b in 2021.
- We expect JMT to acquire non-performing loans (NPLs) aggressively in 3Q21 for a total of THB1.5b, resulting in an all-time high NPL acquisition of THB4.8b YTD. We think JMT will purchase secured NPLs at a higher rate than unsecured NPLs in 3Q21. We expect its outstanding distressed asset portfolio to reach THB220b in 3Q21.

Exhibit 1: Expect highest cash collection in 3Q21



Sources: JMT; FSSIA estimates

Exhibit 2: Expect record high NPL purchases in 3Q21



Sources: JMT; FSSIA estimates

## Exhibit 3: JMT – 3Q21E results preview

	3Q20	2Q21	3Q21E		9M21E			2021E		3Q21E Comments
	(THB m)	(THB m)	(THB m)	(y-y%)	(q-q%)	(THB m)	(y-y%)	%21E	(THB m)	
<b>Interest income</b>										
- Interest income from NPLs	421	472	517	23	9	1,458	25	66	2,199	27
- Gain on NPLs*	220	228	234	6	3	672	(0)	69	973	8
<b>Total interest income</b>	<b>641</b>	<b>701</b>	<b>751</b>	<b>17</b>	<b>7</b>	<b>2,130</b>	<b>16</b>	<b>67</b>	<b>3,200</b>	<b>22</b>
Interest expense	79	82	76	(4)	(7)	236	5	75	317	1
<b>Net interest income</b>	<b>562</b>	<b>619</b>	<b>674</b>	<b>20</b>	<b>9</b>	<b>1,894</b>	<b>18</b>	<b>66</b>	<b>2,883</b>	<b>25</b>
Non-interest income						0	nm	nm		nm
- Service income from debt collection services	93	75	85	(9)	13	251	(9)	67	376	4
- Net insurance premium	20	1	13	(33)	938	34	(27)	71	48	32
- Others	2	3	3	66	(4)	18	231	148	12	16
<b>Total non-interest income</b>	<b>115</b>	<b>80</b>	<b>101</b>	<b>(12)</b>	<b>27</b>	<b>303</b>	<b>(8)</b>	<b>70</b>	<b>436</b>	<b>7</b>
<b>Total operating income</b>	<b>676</b>	<b>699</b>	<b>776</b>	<b>15</b>	<b>11</b>	<b>2,197</b>	<b>13</b>	<b>66</b>	<b>3,319</b>	<b>22</b>
Operating expenses	312	316	318	2	1	984	4	65	1,508	15
<b>Pre provision operating profit</b>	<b>364</b>	<b>383</b>	<b>457</b>	<b>26</b>	<b>20</b>	<b>1,213</b>	<b>22</b>	<b>67</b>	<b>1,811</b>	<b>28</b>
Expected credit loss	39	50	48	22	(5)	121	(19)	69	176	(14)
<b>Operating profit</b>	<b>325</b>	<b>332</b>	<b>410</b>	<b>26</b>	<b>23</b>	<b>1,092</b>	<b>29</b>	<b>67</b>	<b>1,635</b>	<b>35</b>
Income tax expenses	39	50	70	77	40	185	40	57	327	88
<b>Profit before minority interest</b>	<b>286</b>	<b>283</b>	<b>340</b>	<b>19</b>	<b>20</b>	<b>907</b>	<b>27</b>	<b>69</b>	<b>1,308</b>	<b>26</b>
Minority	3	(6)	0	nm	nm	(5)	nm	nm	0	nm
<b>Normalised profit</b>	<b>283</b>	<b>289</b>	<b>340</b>	<b>20</b>	<b>18</b>	<b>912</b>	<b>27</b>	<b>70</b>	<b>1,308</b>	<b>25</b>
Extra items	0	0	0	nm	nm	0	nm	nm	0	nm
<b>Net profit</b>	<b>283</b>	<b>289</b>	<b>340</b>	<b>20</b>	<b>18</b>	<b>912</b>	<b>27</b>	<b>70</b>	<b>1,308</b>	<b>25</b>
<b>Key financial highlights</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(THB m)</b>	<b>(y-y %)</b>	<b>(q-q %)</b>				<b>(THB m)</b>	<b>(y-y %)</b>
Gross NPLs outstanding	9,395	12,253	13,207	41	8				13,460	35
Gross NPAs outstanding	233	763	995	328	31				435	4
NPL & NPA purchases	541	1,502	1,502	178	0	4,838	92	89	5,449	55
NPL & NPA cash collection	985	970	1,014	3	5	2,987	10	66	4,552	23
Cash collection/NPL & NPA (%)	41.3	31.2	29.8						37.5	
<b>Key financial ratio</b>										
Liabilities/equity (x)	1.9	1.1	1.0						0.9	
Interest-bearing debt/equity (x)	1.7	0.9	0.8						0.8	
ROA (%)	8.2	7.1	8.3						8.6	
ROE (%)	26.4	14.8	17.1						18.7	
Cost of funds (%)	4.1	4.5	4.3						4.6	
Cost to income (%)	46.1	45.3	41.0						45.4	

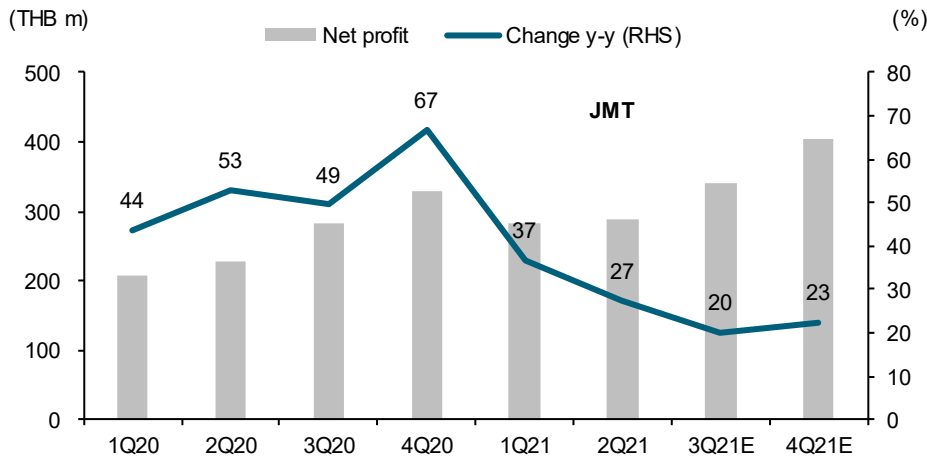
\*Fully amortised;

Sources: JMT; FSSIA estimates

## Climbing to the top in 4Q21 and 2022

We expect JMT to break its record again in 4Q21, with an initial net profit forecast of cTHB400m (+23% y-y, +19% q-q), supported by a continued increase in its CC and a strong profitability margin. We believe its CC momentum will surge after the economy reopens. We think it could start to harvest the aggressive NPL acquisitions it made in 1Q21. According to management, JMT takes only 6 months to start collecting cash from its customers post acquisition for secured NPLs and only 3-4 months for unsecured NPLs. Thus, we expect that the CC from its IRR portfolio in 4Q21 should be stronger compared with 9M21. Moreover, we expect its fully amortised portfolio to increase to THB53.5b in 4Q21. This portfolio would not only increase its CC and revenue, but would also enhance its margin.

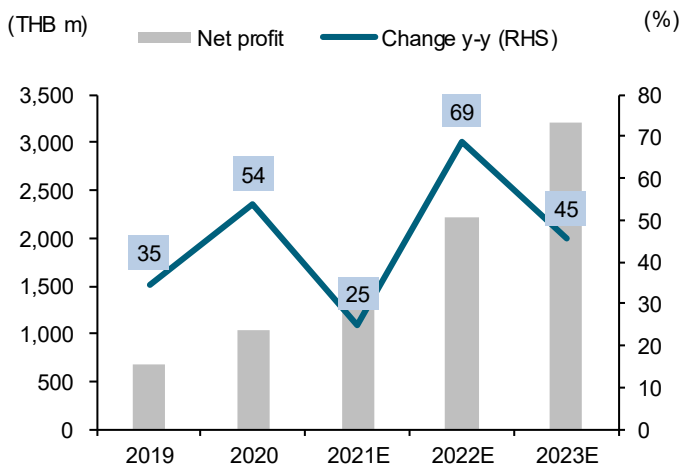
**Exhibit 4: JMT's quarterly net profit growth**



Source: FSSIA estimates

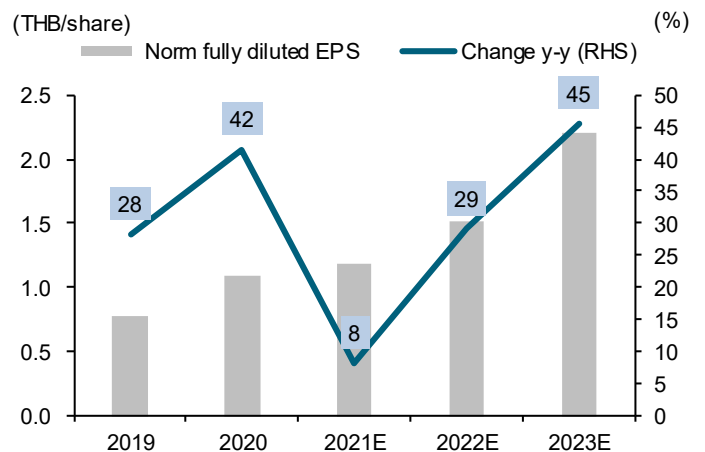
We are convinced that these trends will continue in 2022. On top of that, JMT plans to aggressively purchase NPLs in 2022. Thus, we expect its 2022 net profit to jump by 69% y-y. Its 2022 EPS is set to increase by 29% y-y due to the dilution from the rights offering (RO) and JMT-W3.

**Exhibit 5: JMT's net profit growth**



Source: FSSIA estimates

**Exhibit 6: JMT's EPS growth**



Source: FSSIA estimates

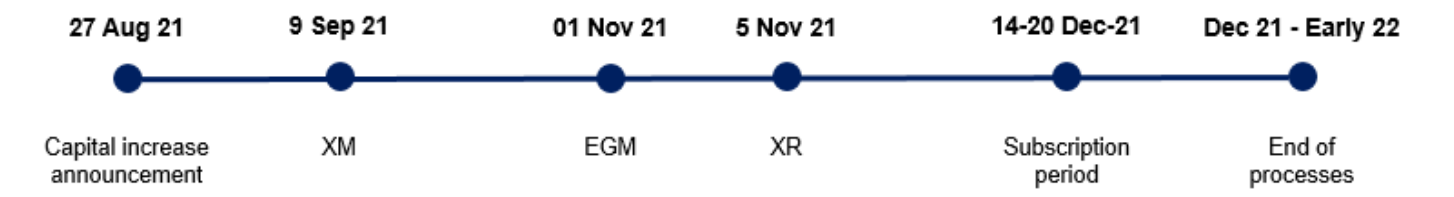
## Minimal price dilution from XR

After announcing a capital increase via an RO and JMT-W4 on 27 Aug-21, JMT has recently released its official RO and JMT-W4 ratios. Details are as below:

- 1) To not exceed 240.96m shares via RO. The RO allocation ratio is 4.674 existing shares to 1 newly issued share, with an RO price of THB41.5/share;
- 2) To not exceed 70.5m shares via warrant. These will be allocated to existing shareholders who exercise the RO at a ratio of 3.418 shares to 1 warrant, with an exercise price of THB90/share and a conversion ratio of 1:1 (warrant : stock). W4 will expire three years after the issuance.

The XM is on 9 Sep-21. An EGM is on 1 Nov-21 and the XR date is on 5 Nov-21.

### Exhibit 7: Capital reform timeline



Source: JMT; FSSIA's compilation

Based on our calculation (at the average price before the XR of THB48.5/share), we think the price dilution at the XR date will be only 2-3%. The EPS dilution, in the event that the company does not utilise the capital to expand its business, would be 17-18%. However, we think JMT will use this capital to aggressively acquire NPLs. Thus, we see no significant EPS dilution as stated in our report, "[JMT Network Services \(JMT TB\) - Chasing the hybrid AMC crown](#)", dated 7 Sep-21. We recommend investors not be overly concerned.

According to JMT's management, its 2021-23 total new NPL purchase target is very aggressive at THB7b/THB15b/THB20b vs its 2020 purchase of THB3.5b. We believe that within 2023, JMT will be one of the market leaders in NPL acquisitions. Bangkok Commercial Asset Management (BAM TB, BUY, TP THB19.4) has the highest market share currently. According to BAM, its NPL purchase target in 2022-23 is around THB12b-15b per year.

### Exhibit 8: Summary of key assumptions

	2021E	2022E	2023E
1) Distressed asset acquisitions (THB m)			
JMT	7,000	15,000	20,000
FSSIA	5,449	10,000	15,000
% diff (%)	(22)	(33)	(25)
2) Cash collection (THB m)	4,552	6,417	8,986
3) Cash collection ratio (%)	37.5	36.5	33.3
4) Cost to income (%)	45.4	37.2	33.1

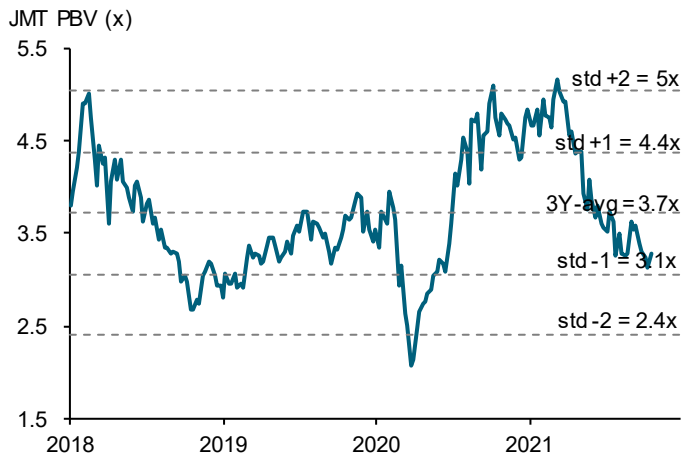
Source: FSSIA estimates

### Exhibit 9: Sensitivity analysis for every THB1b increase in NPL purchases

	2022E (THB m)	2023E (THB m)
<b>Current assumptions</b>		
Distressed asset purchases	10,000	15,000
Net profit	2,208	3,210
2022 target price (THB/share)	57	
<b>Every increase of THB1000m</b>		
Distressed asset purchases	11,000	16,000
Net profit	2,280	3,375
% change	3.3	5.1
2022 target price (THB/share)	59	
% change	3.5	

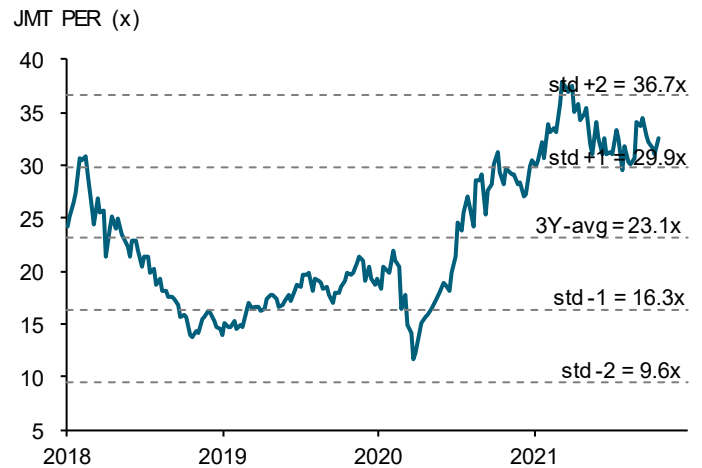
Source: FSSIA estimates

Exhibit 10: JMT – one-year prospective P/BV



Sources: Bloomberg; FSSIA estimates

Exhibit 11: JMT – one-year prospective P/E



Sources: Bloomberg; FSSIA estimates

Exhibit 12: Thailand diversified financials – peers comparison

	BBG code	Rec	---Share price---		Up side (%)	Market Cap (USD m)	EPS growth		---- P/E ----		---- ROE ----		---- PBV ----	
			Current (THB)	Target (THB)			21E (%)	22E (%)	21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)
<b>Diversified financials</b>						<b>22,063</b>	<b>11.4</b>	<b>21.7</b>	<b>23.9</b>	<b>19.7</b>	<b>18.8</b>	<b>18.4</b>	<b>4.0</b>	<b>3.2</b>
<b>Unsecured-loan lenders</b>						<b>5,894</b>	<b>14.3</b>	<b>13.1</b>	<b>21.1</b>	<b>18.7</b>	<b>24.0</b>	<b>23.4</b>	<b>4.8</b>	<b>4.1</b>
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	187.00	204.00	9	1,413	7.5	13.9	11.8	10.3	21.5	21.1	2.4	2.0
Krungthai Card	KTC TB	HOLD	57.50	52.00	(10)	4,481	15.4	13.0	24.1	21.3	24.8	24.1	5.5	4.8
<b>Auto-title lenders</b>						<b>9,381</b>	<b>8.2</b>	<b>22.1</b>	<b>22.5</b>	<b>18.4</b>	<b>20.8</b>	<b>21.0</b>	<b>4.1</b>	<b>3.5</b>
Muangthai Capital	MTC TB	BUY	59.25	67.00	13	3,796	3.1	23.5	23.4	18.9	23.4	23.8	5.0	4.1
Srisawad Corp	SAWAD TB	BUY	62.75	86.00	37	2,604	7.1	18.6	17.6	14.9	20.7	22.1	3.5	3.1
Saksiam Leasing	SAK TB	BUY	8.05	12.20	52	510	(17.3)	40.0	27.7	19.8	12.9	16.3	3.4	3.0
Ngern Tid Lor	TIDLOR TB	BUY	35.25	47.00	33	2,471	22.0	19.5	25.2	21.1	18.7	16.4	3.6	3.2
<b>Truck lenders</b>						<b>1,559</b>	<b>13.2</b>	<b>11.6</b>	<b>23.5</b>	<b>21.1</b>	<b>14.0</b>	<b>13.5</b>	<b>2.8</b>	<b>2.2</b>
Micro Leasing	MICRO TB	BUY	8.10	10.70	32	229	23.1	33.5	37.2	27.9	10.8	13.2	3.9	3.5
Singer Thailand	SINGER TB	BUY	41.25	51.00	24	632	24.8	2.4	30.4	29.6	13.0	9.8	3.4	2.2
Ratchthani Leasing	THANI TB	BUY	4.08	5.20	27	698	(20.9)	15.8	12.8	11.1	16.0	17.0	2.0	1.8
<b>Asset management</b>						<b>3,872</b>	<b>11.2</b>	<b>33.6</b>	<b>36.1</b>	<b>27.0</b>	<b>11.4</b>	<b>10.0</b>	<b>3.8</b>	<b>2.2</b>
Bangkok Commercial Asset Mngt.	BAM TB	BUY	19.20	19.40	1	1,876	13.5	37.8	29.7	21.6	4.8	6.2	1.3	1.3
Chayo Group	CHAYO TB	BUY	11.60	18.80	62	337	18.5	39.6	45.2	32.4	12.8	11.7	4.1	3.3
JMT Network Services	JMT TB	BUY	48.75	57.00	17	1,660	7.8	29.1	41.4	32.0	18.7	13.9	6.5	3.0
<b>Other</b>						<b>1,109</b>	<b>8.1</b>	<b>11.6</b>	<b>8.9</b>	<b>8.0</b>	<b>6.4</b>	<b>6.8</b>	<b>0.6</b>	<b>0.5</b>
Thanachart Capital	TCAP TB	HOLD	35.00	35.00	0	1,109	8.1	11.6	8.9	8.0	6.4	6.8	0.6	0.5
<b>Hire purchase motorcycle</b>						<b>248</b>	<b>55.9</b>	<b>33.4</b>	<b>26.0</b>	<b>19.5</b>	<b>17.4</b>	<b>19.8</b>	<b>4.2</b>	<b>3.6</b>
Next Capital	NCAP TB	BUY	9.10	16.80	85	248	55.9	33.4	26.0	19.5	17.4	19.8	4.2	3.6

Share prices as of 26 Oct 2021  
Sources: Bloomberg; FSSIA estimates

## Financial Statements

### JMT Network Services

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	1,965	2,629	3,200	4,596	6,255
Interest expense	(206)	(314)	(317)	(278)	(313)
Net interest income	1,758	2,315	2,883	4,318	5,942
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	350	409	436	461	505
Non interest income	350	409	436	461	505
Total income	2,108	2,724	3,319	4,779	6,448
Staff costs	-	-	-	-	-
Other operating costs	(1,258)	(1,311)	(1,508)	(1,780)	(2,131)
Operating costs	(1,258)	(1,311)	(1,508)	(1,780)	(2,131)
Pre provision operating profit	850	1,413	1,811	2,999	4,317
Provision for bad and doubtful debt	(12)	(203)	(176)	(240)	(304)
Other provisions	-	-	-	-	-
Operating profit	839	1,210	1,635	2,759	4,013
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	839	1,210	1,635	2,759	4,013
Tax	(189)	(174)	(327)	(552)	(803)
Profit after tax	649	1,036	1,308	2,208	3,210
Minority interests	32	11	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	681	1,047	1,308	2,208	3,210
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	681	1,047	1,308	2,208	3,210
<b>Per share (THB)</b>					
Recurring EPS *	0.77	1.09	1.18	1.52	2.21
Reported EPS	0.77	1.09	1.18	1.52	2.21
DPS	0.58	0.86	0.74	0.88	1.55
<b>Growth</b>					
Net interest income (%)	29.4	31.7	24.5	49.8	37.6
Non interest income (%)	24.3	16.8	6.7	5.7	9.6
Pre provision operating profit (%)	27.9	66.1	28.2	65.6	43.9
Operating profit (%)	26.1	44.2	35.2	68.7	45.4
Reported net profit (%)	34.8	53.6	25.0	68.7	45.4
Recurring EPS (%)	28.3	42.0	7.8	29.1	45.4
Reported EPS (%)	28.3	42.0	7.8	29.1	45.4
<b>Income Breakdown</b>					
Net interest income (%)	83.4	85.0	86.9	90.4	92.2
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	16.6	15.0	13.1	9.6	7.8
<b>Operating performance</b>					
Gross interest yield (%)	-	-	-	-	-
Cost of funds (%)	4.23	4.84	4.64	4.30	4.30
Net interest spread (%)	(4.23)	(4.84)	(4.64)	(4.30)	(4.30)
Net interest margin (%)	-	-	-	-	-
Cost/income(%)	59.7	48.1	45.4	37.2	33.1
Cost/assets(%)	13.6	10.7	9.9	7.7	6.6
Effective tax rate (%)	22.6	14.4	20.0	20.0	20.0
Dividend payout on recurring profit (%)	75.3	78.6	63.1	57.9	70.0
ROE (%)	20.1	23.0	18.7	13.9	13.3
ROE - COE (%)	9.3	12.2	7.9	3.1	2.5
ROA (%)	7.0	8.5	8.6	9.5	9.9
RORWA (%)	-	-	-	-	-

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: JMT Network Services; FSSIA estimates



## Financial Statements

### JMT Network Services

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	8,028	9,961	13,460	20,803	32,058
Total provisions	(107)	(287)	(436)	(634)	(874)
interest in suspense	0	160	269	416	641
<b>Net customer loans</b>	<b>7,921</b>	<b>9,834</b>	<b>13,294</b>	<b>20,585</b>	<b>31,825</b>
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	363	1,366	820	6,558	656
Cash & equivalents	317	967	39	1,059	402
Other interesting assets	101	412	432	479	588
Tangible fixed assets	163	411	269	282	296
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	1,277	1,281	1,292	1,207	1,044
<b>Total assets</b>	<b>10,142</b>	<b>14,270</b>	<b>16,145</b>	<b>30,169</b>	<b>34,812</b>
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	5,783	7,187	6,468	4,768	8,085
Non interest bearing liabilities	926	1,329	1,395	1,814	2,177
Hybrid Capital	-	-	-	-	-
<b>Total liabilities</b>	<b>6,708</b>	<b>8,516</b>	<b>7,864</b>	<b>6,582</b>	<b>10,262</b>
Share capital	444	488	545	891	891
Reserves	2,952	5,236	7,737	22,696	23,659
<b>Total equity</b>	<b>3,396</b>	<b>5,724</b>	<b>8,281</b>	<b>23,587</b>	<b>24,550</b>
Minority interests	38	30	0	0	0
<b>Total liabilities &amp; equity</b>	<b>10,142</b>	<b>14,270</b>	<b>16,145</b>	<b>30,169</b>	<b>34,812</b>
<b>Supplementary items</b>					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	n/a	n/a	n/a	n/a	n/a
Average interest bearing liabilities	4,874	6,485	6,828	6,468	7,277
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	n/a	n/a	n/a	n/a	n/a
<b>Per share (THB)</b>					
Book value per share	3.82	5.98	7.46	16.26	16.92
Tangible book value per share	3.82	5.98	7.46	16.26	16.92
<b>Growth</b>					
Gross customer loans	34.2	24.1	35.1	54.5	54.1
Average interest earning assets	-	-	-	-	-
Total asset (%)	21.3	40.7	13.1	86.9	15.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
<b>Leverage &amp; capital measures</b>					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	33.5	40.1	51.3	78.2	70.5
Tangible equity/assets (%)	33.5	40.1	51.3	78.2	70.5
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
<b>Asset Quality</b>					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Total provisions/gross loans (%)	1.3	2.9	3.2	2.0	2.7
Total provisions/NPL (%)	-	-	-	-	-
<b>Valuation</b>					
Recurring P/E (x) *	63.3	44.6	41.4	32.0	22.0
Recurring P/E @ target price (x) *	74.0	52.1	48.4	37.5	25.8
Reported P/E (x)	63.3	44.6	41.4	32.0	22.0
Dividend yield (%)	1.2	1.8	1.5	1.8	3.2
Price/book (x)	12.7	8.2	6.5	3.0	2.9
Price/tangible book (x)	12.7	8.2	6.5	3.0	2.9
Price/tangible book @ target price (x)	14.9	9.5	7.6	3.5	3.4

\* Pre-exceptional, pre-goodwill and fully diluted

Sources: JMT Network Services; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICHI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PCSGH	PDJ	PG	PHOL	PLANB	PLANET
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITSIB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description	Score Range
Excellent	90-100
Very Good	80-89
Good	70-79

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\* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; \*\* delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

## Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAHA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									

DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; \* FSSIA's compilation

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#### Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
JMT Network Services	JMT TB	THB 48.75	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 187.00	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 57.50	HOLD	Upside risks to our GGM-derived TP include 1) stronger-than-expected growth for KTB Leasing; and 2) a better-than-expected bad debt recovery. Downside risks are 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Muangthai Capital	MTC TB	THB 59.25	BUY	Downside risks to our GGM-based TP include the expansion into auto-title loans by the Government Savings Bank; further weakening asset quality could potentially hit both loan yield and credit cost.
Srisawad Corp	SAWAD TB	THB 62.75	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand.
Saksiam Leasing	SAK TB	THB 8.05	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the BoT; and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Ngern Tid Lor	TIDLOR TB	THB 35.25	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank; 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Micro Leasing	MICRO TB	THB 8.10	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) a slower-than-expected reduction in the cost of funds due to a shift toward more long-term loans.
Singer Thailand	SINGER TB	THB 41.25	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality.
Ratchthani Leasing	THANI TB	THB 4.08	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand.
Bangkok Commercial Asset Mngt.	BAM TB	THB 19.20	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
Chayo Group	CHAYO TB	THB 11.60	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
Thanachart Capital	TCAP TB	THB 35.00	HOLD	Upside risks to our GGM-based target price are M&A completions and long-term synergy gained, leading to a higher contribution to its earnings. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TMB and THANI.
Next Capital	NCAP TB	THB 9.10	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for food delivery and logistics activities; 2) deteriorating asset quality; and 3) tighter competition from new players.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 26-Oct-2021 unless otherwise stated.

## RECOMMENDATION STRUCTURE

### Stock ratings

Stock ratings are based on absolute upside or downside, which we define as  $(\text{target price}^* - \text{current price}) / \text{current price}$ .

**BUY (B).** The upside is 10% or more.

**HOLD (H).** The upside or downside is less than 10%.

**REDUCE (R).** The downside is 10% or more.

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 market price and the formal recommendation.

\* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

### Industry Recommendations

**Overweight.** The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

**Neutral.** The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

**Underweight.** The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

### Country (Strategy) Recommendations

**Overweight (O).** Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Neutral (N).** Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

**Underweight (U).** Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.