

JMT NETWORK SERVICES
THAILAND / FINANCE & SECURITIES

JMT TB

HOLD

UNCHANGED

ปรับลดเป้าประมาณการทางธุรกิจปี 2024

- เราคงมุมมองที่เป็นกลางสำหรับการดำเนินงานของ JMT ในปี 2024 จากปัจจัยเศรษฐกิจมหภาคที่กดดันอย่างต่อเนื่อง
- การเก็บเงินสดยังเป็นปัจจัยสำคัญที่ต้องจับตามองอย่างใกล้ชิด
- คงคำแนะนำถือที่ราคาเป้าหมายปี 2024 ที่ 25.70 บาท

TARGET PRICE	THB25.70
CLOSE	THB24.90
UP/DOWNSIDE	+3.2%
PRIOR TP	THB25.70
CHANGE IN TP	UNCHANGED
TP vs CONSENSUS	-23.3%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	1,899	2,189	2,535	2,648
Net profit	2,011	2,400	2,820	3,061
EPS (THB)	1.38	1.64	1.93	2.10
vs Consensus (%)	-	19.9	20.5	10.8
Recurring net profit	2,011	2,400	2,820	3,061
Core EPS (THB)	1.38	1.64	1.93	2.10
Chg. In EPS est. (%)	2.6	-	-	-
EPS growth (%)	15.2	19.3	17.5	8.5
Core P/E (x)	18.1	15.1	12.9	11.9
Dividend yield (%)	4.3	5.3	6.2	6.7
Price/book (x)	1.4	1.4	1.3	1.3
ROE (%)	8.1	9.0	10.5	11.1
ROA (%)	5.4	5.3	5.4	5.4

เป้าประมาณการทางธุรกิจปี 2024 ไม่น่าตื่นเต้น

ในที่ประชุมนักวิเคราะห์เมื่อวันที่ 13 ก.พ. JMT เน้นย้ำ 2 ปัจจัยสำคัญประกอบด้วยแนวโน้มการเก็บเงินสดและการลงทุนในปี 2024 ในด้านการเก็บเงินสดผู้บริหารคาดว่าภาพรวมยังคงมีความท้าทายเหมือนกับในปี 2023 ซึ่งเก็บได้รวม 7-8 พัน ลบ. จากตัวเลขดังกล่าว 5-6 พัน ลบ. จะเป็นของ JMT เมื่อพิจารณาจากอำนาจในการจ่ายใช้สอยของครัวเรือนที่ตกต่ำและนโยบายการปล่อยสินเชื่อที่รอบคอบของสถาบันการเงิน (FI) โดย JMT ได้ยืนยันอีกครั้งถึงการเติบโตที่ลดลงของกำไรจากลูกหนี้สินเชื่อที่ตัดจำหน่ายเพิ่มจำนวนจากแนวโน้มการขยายระยะเวลาในการชำระของลูกหนี้ ในด้านเงินลงทุนบริษัท ไม่ได้ให้เป้าเงินลงทุนในหนี้ในปี 2024 แต่จะเล็งซื้อหนี้ที่มีอัตราผลตอบแทนในระดับที่บริษัทพึงพอใจเป็นหลัก

การเก็บเงินสดและกำไร 4Q23 ดีกว่าคาด

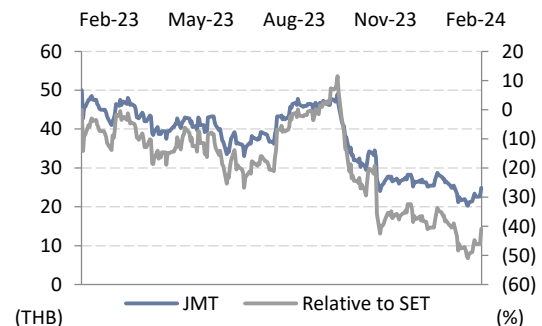
JMT รายงานกำไรสุทธิ 4Q23 อยู่ที่ 540 ลบ. (+15.9% q-q, +10.6% y-y) สูงกว่าที่เราคาด 10.5% โดยมีปัจจัยหนุนสำคัญอยู่ที่ 1) การเก็บเงินสดที่สูงกว่าคาด; 2) ต้นทุนในการดำเนินงานที่ต่ำกว่าคาด; และ 3) ส่วนแบ่งกำไรจาก JK AMC จำนวน 161 ลบ. (640.8% q-q, 157% y-y) อย่างไรก็ตาม ค่าใช้จ่ายผลขาดทุนทางเครดิตที่คาดว่าจะเกิดขึ้น (ECL) ลดผลกระทบเชิงบวกไปบางส่วน โดยนอกจากส่วนของ ECL ที่จัดสรรไว้เพื่อหักล้างรายได้ EIR สำหรับหนี้โดยคุณภาพประเภทมีหลักทรัพย์ค้ำประกันแล้ว บริษัท ยังบันทึกสำรองเพิ่มจากการเก็บเงินสดที่ต่ำกว่าคาด ซึ่งสะท้อนผลกระทบที่แยงในการบริหารสินเชื่อประเภทมีหลักทรัพย์ค้ำประกัน

สภาพคล่องพอเพียงสำหรับการชำระคืนหนี้ในปี 2024-25

JMT ยืนยันความสามารถในการชำระคืนหนี้กู้ยืมมีมูลค่ารวม 1.85 พัน ลบ. ซึ่งจะครบกำหนดในเดือน มี.ค. 24 ผู้บริหารได้แสดงความมั่นใจในความสามารถในการชำระคืนหนี้ในปัจจุบัน นอกจากนี้หนี้กู้ยืมครบกำหนดในช่วง 2H24 รวมน่าจะอยู่ที่ 1.62 พัน ลบ. และอยู่ที่ระดับ 6.4 พัน ลบ. ในปี 2025 เราคาดว่า JMT จะไม่มีปัญหาในการชำระคืนหนี้เนื่องจากเราคาดว่ากำไรเงินสดของบริษัท ในปี 2024-25 จะอยู่ที่ 7.2 พัน ลบ. และ 8.1 พัน ลบ. ตามลำดับพร้อมบริษัทยังมีวงเงินที่ยังไม่ได้ใช้จาก FI อีก ณ สิ้นไตรมาส 4Q23

คงคำแนะนำถือหลังราคาหุ้นตอบสนองต่อผลประกอบการ 4Q23 เป็นบวกมากเกินไป

ผลประกอบการ 4Q23 ที่ดีเกินคาดช่วยเร่งให้เกิดบรรยากาศเชิงบวกสำหรับราคาหุ้นซึ่งเราเชื่อว่าเป็นการมองในแง่ดีเกินไป เราคงคำแนะนำถือจากมุมมองอุตสาหกรรมที่เป็นบวกน้อยลง เราคงราคาเป้าหมายปี 2024 ไว้ที่ 25.70 บาท (GGM) คิดเป็นค่า P/BV ได้ที่ 1.36x



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(6.0)	3.3	(49.7)
Relative to country (%)	(4.6)	3.0	(39.8)
Mkt cap (USD m)	1,018		
3m avg. daily turnover (USD m)	14.7		
Free float (%)	21		
Major shareholder	JMART Pcl. (54%)		
12m high/low (THB)	53.25/20.30		
Issued shares (m)	1,460		

Sources: Bloomberg consensus; FSSIA estimates



Usanee Liurut, CISA

Fundamental Investment Analyst on Capital Market; License no. 017928
usanee.l@fssia.com, +66 2646 9967

Maeta Cherdasatirakul

Research Assistant
maeta.c@fssia.com, +66 2646 9971

Investment thesis

We maintain our HOLD call on JMT for factors including:

- We expect JMT’s performance to remain under pressure by the sluggish macroeconomic trends and high level of household debt.
- We maintain our view on the high NPL supply level in 2024-25, leading JMT and other AMC operators to accelerate their investment activities throughout the period.
- We expect JMT in 2024 to encounter an economic backdrop similar to 2023 until signs of meaningful development can be seen.
- We maintain our 2024 TP of THB25.70 under GGM methodology, which yields a target P/BV ratio of 1.36x, remaining near 2SD below its 5Y average.

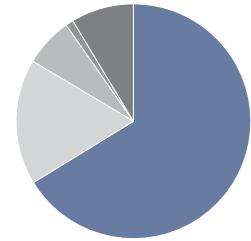
Company profile

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.jmtnetwork.co.th

Principal activities (revenue, 2023)

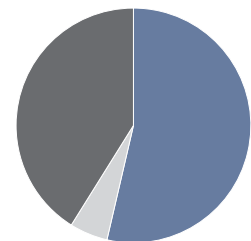
- Debt management - 66.3 %
- Gains from purchase of A/R - 17.3 %
- Debt collection - 6.7 %
- Net insurance income - 1.1 %
- Other income - 8.6 %



Source: JMT Network Services

Major shareholders

- JMART Pcl. - 53.6 %
- Thai NVDR - 5.3 %
- Others - 41.1 %



Source: JMT Network Services

Catalysts

- Higher-than-expected supply of bad debt;
- Lower-than-expected debt-purchasing price;
- Higher-than-expected cash collection from both debt management and debt tracking services;
- Faster-than-expected debt collection.

Risks to our call

Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks include 1) better-than-expected purchasing power and cash collection; and 2) lower-than-expected operating and financing expenses.

Event calendar

Date	Event
Apr 2024	1Q24 results announcement

Key assumptions

	2024E	2025E	2026E
	(THB m)	(THB m)	(THB m)
Net profit	2,400	2,820	3,061
<i>Growth (%)</i>	22.5	17.5	8.5
Cash collection	9,629	11,204	12,545
<i>Growth (%)</i>	33.8	16.4	12.0
Purchased receivables	30,278	33,862	37,069
<i>Growth (%)</i>	12.8	11.8	9.5
Cost to income (%)	17.0	17.0	17.0

Note: Cash collection figures include contribution from JK AMC

Source: FSSIA estimates

Earnings sensitivity

		----- 2024E -----		
Cash collection ratio	±1ppt	27	28	29
<i>% change in net profit</i>		(6)	-	6
Cost to income	±1ppt	16	17	18
<i>% change in net profit</i>		2	-	(2)

Source: FSSIA estimates

Unexciting 2024 business guidance

JMT's analyst meeting on 13 Feb mainly focused on two key factors: the prospective outlook on cash collection and investment in 2024. Regarding cash collection, management guides for the expected cash collection to have the same backdrop seen in 2023, totaling cTHB7b-8b, of which cTHB5b-6b belongs to JMT, given the overhang from impaired household spending power and FIs' prudent credit policies. Again, JMT reaffirms fewer benefits from its fully amortized loans aligning with their extended collection period.

For the investment side, there is no target provided for 2024 debt investment, but the company is committed to relying on the profitability profile of the supply. Meanwhile, unsecured NPLs will remain JMT's acquisition priority as it has already acquired a sufficient amount of secured NPLs under management.

In addition, management expects that the 2024 supply of NPLs should remain at high levels, especially in 2H24, primarily due to the Bank of Thailand (BoT)'s responsible lending policy, which should delay the sales process of FIs by 3-6 months.

In summary, JMT has a less aggressive view of its outlook, with some challenges from a weak backdrop compared to the guidance for 2023, which aligns with our negative expectation of the industry outlook.

Better-than-expected cash collection and 4Q23 profit

JMT reported a 4Q23 net profit of THB540m, increasing by 15.9% q-q, 10.6% y-y, and exceeding our estimate by 10.5%. Key supports were from 1) higher-than-expected cash collection; 2) lower-than-expected operating costs, leading the 4Q23 cost-to-income ratio to finish at 14.9%, slightly declining from 3Q23; and 3) the share of profit from JK AMC of THB161m, up 40.8% q-q and 157% y-y.

The ECL expense partially offset the positive impacts, which was higher than our forecast. Besides the portion of ECL which was set to cancel out the EIR revenue for secured NPLs, there was also an additional portion from the over-estimated cash collection, which represents a worsened performance in secured loan management.

The 2023 net profit finished at THB2.01b, 2.6% above our estimate but 14.8% lower than the BBG consensus, representing 15.3% y-y growth, which falls short of management's 2023 guidance of 20-30% p.a.

(+) Cash collection: The 4Q23 cash collection for JMT finished at THB1.52b, increasing 14.1% q-q and 13.5% y-y along with the seasonal influence during the period. This resulted in whole-year cash collection of THB5.8b, increasing by only 4.1% despite a record amount of debt acquisition in 2023. In addition, the collection from secured loans continued to show a dull performance, reflected in the ECL expenses.

Meanwhile, the cash collection from JK AMC was THB2.9b for 2023, resulting in aggregate collection of THB8.7b (up 37.3% from THB6.3b in 2022), rising along with the push from portfolio expansion and finishing in line with the guidance of THB8b-9b.

(-) Investment: In 4Q23, JMT acquired an additional THB931m, resulting in a full-year investment of THB7.3b, 11.8% lower than our estimate of THB8.2b. However, we expect JMT to rely on its projected profitability of debt and only acquire when the yield is satisfied.

(0) Insurance business (JI – JMT holds 72.96%): 4Q23 insurance income continued to increase by 11.2% q-q, but decreased 6.7% y-y. For 2023, despite the unit still making a loss, the share of loss to JMT was drastically reduced to THB25m from THB124m in 2022.

Exhibit 1: JMT – 4Q23 operating results

	4Q22	1Q23	2Q23	3Q23	4Q23	----- Change -----		2023	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)
Total revenue	1,142	1,150	1,250	1,308	1,379	5.5	20.7	5,087	15.4
Cost of services	(401)	(370)	(371)	(392)	(434)	10.9	8.4	(1,567)	7.4
Gross profit	742	780	878	916	945	3.1	27.4	3,520	19.3
Other income	22	20	24	36	2	(93.2)	(89.0)	101	71.9
Operating expenses	(242)	(187)	(196)	(205)	(205)	0.3	(15.3)	(793)	0.5
Share of profit from subsidiaries	63	134	130	114	161	40.8	156.6	538	449.6
Expected credit loss	60	(113)	(57)	(167)	(126)	(24.5)	n/a	(462)	220.5
Financial cost	(94)	(95)	(109)	(130)	(132)	1.8	40.3	(466)	64.7
Profit before tax	550	538	670	565	645	14.1	17.3	2,437	28.9
Income tax	(63)	(81)	(95)	(86)	(101)	17.8	60.0	(363)	74.0
NCI	(1)	3	23	13	23	71.6	n/a	63	n/a
Net profit	488	453	551	466	540	15.9	10.6	2,011	15.3
EPS (THB)	0.33	0.31	0.38	0.32	0.37	15.9	10.7	1.38	15.2
Cash collection	1,337	1,369	1,561	1,330	1,518	14.1	13.5	5,778	4.1
Additional investment	2,903	1,384	2,702	2,294	931	(59.4)	(67.9)	7,311	59.6
Cost-to-income ratio	21.20	16.28	15.71	15.64	14.87			15.59	
ECL / revenue from debt management	(8.75)	15.62	6.70	17.78	12.75			13.21	
Gross margin	64.93	67.82	70.29	70.06	68.52			69.19	
Gross margin (x insurance)	69.56	71.05	73.51	73.70	72.00			72.60	
Average cost of funds	5.11	4.41	4.44	4.52	4.38			4.17	
Net margin	42.75	39.40	44.10	35.65	39.17			35.12	
ROE	8.58	7.34	8.41	7.17	8.22			8.12	
ROA	6.24	5.12	5.69	4.61	5.22			0.05	
D/E (x)	0.47	0.38	0.53	0.52	0.57			0.57	
Interest bearing debt/equity (x)	0.41	0.30	0.45	0.42	0.49			0.49	

Sources: JMT; FSSIA's compilation

Exhibit 2: JMT – Revenue breakdown

	4Q22	1Q23	2Q23	3Q23	4Q23	----- Change -----		2023	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q%)	(y-y%)	(THB m)	(y-y%)
Total revenue	1,142	1,150	1,250	1,308	1,379	5.5	20.7	5,087	15.4
Debt collection	102	94	84	88	89	1.5	(12.2)	355	8.5
Debt management	681	724	851	938	987	5.3	45.0	3,500	33.8
Gain on loans receivable from purchase of A/R	266	257	238	204	216	5.9	(19.0)	914	(23.0)
Insurance income	93	75	76	78	87	11.2	(6.7)	316	13.5
Dividend income	0	0	0	0	0	(58)	16,896	0	n/a
Cost of services	(401)	(370)	(371)	(392)	(434)	10.9	8.4	(1,567)	7.4
Cost of services	(319)	(311)	(311)	(323)	(362)	11.9	13.3	(1,307)	19.0
Insurance expense	(81)	(59)	(60)	(68)	(72)	6.0	(11.0)	(260)	(28.0)
Gross profit	742	780	878	916	945	3.1	27.4	3,520	19.3

Sources: JMT; FSSIA estimates

Exhibit 3: JMT – historical investment and cash collection performance

	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	----- Change -----		2021	2022	2023	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y%)	(THB m)	(THB m)	(THB m)	(y-y%)
Investment	728	375	536	2,903	1,384	2,702	2,294	931	(59.4)	(67.9)	8,701	4,582	7,311	59.6
Cash collection	1,458	1,337	1,416	1,337	1,369	1,561	1,330	1,518	14.1	13.5	4,578	5,548	5,778	4.1

Note: The amount presented in the table excludes contribution from JK AMC

Sources: JMT; FSSIA estimates

Sufficient liquidity for debt repayment in 2024-25

JMT reaffirms its capability to repay its debenture obligations, with debentures worth THB1.85b reaching maturity in Mar-24. Management has expressed confidence in its current ability to service the issue. Moreover, the maturity of debentures during 2H24 would be at THB1.62b in total, with a more considerable amount of THB6.4b in 2025. We expect JMT to have no repayment issue regarding our forecast of the company's cash collection in 2024-25 at THB7.2b and THB8.1b, respectively, together with the THB1.58b untapped credit line from FIs as of 4Q23.

Exhibit 4: JMT – outstanding debentures and maturity

	----- Outstanding debentures -----				----- Maturity during period -----				
	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)	1Q (THB m)	2Q (THB m)	3Q (THB m)	4Q (THB m)	Total (THB m)
2024	9,603	9,603	8,978	7,965	1,849	-	625	1,013	3,486
2025	7,965	4,965	4,965	1,590	-	3,000	-	3,375	6,375
2026	1,590	444	444	-	-	1,147	-	444	1,590

Sources: ThaiBMA; FSSIA's compilation

Reiterate our HOLD call on dull industry trends

The stronger-than-expected 4Q23 results fueled positive sentiment on the share price, which we believe to be too optimistic. We retain our HOLD call due to our negative view of the industry, which is reflected in the underperforming cash collection of industry players, as the effect of the slow economic recovery continues to take its toll. We maintain our GGM-based 2024 TP at THB25.70, implying a P/BV ratio of 1.36x, assuming ROE of 12.5% and COE of 10.5%.

Exhibit 5: GGM-based 2024 TP

Gordon Growth model	2024E
ROE - sustainable	12.50
Terminal growth rate	5.00
Cost of equity	10.50
Expected market return	8.00
Risk-free	3.00
Market risk premium	5.00
Beta	1.50
(ROE - g) / (COE - g)	1.36
Fair price	25.70

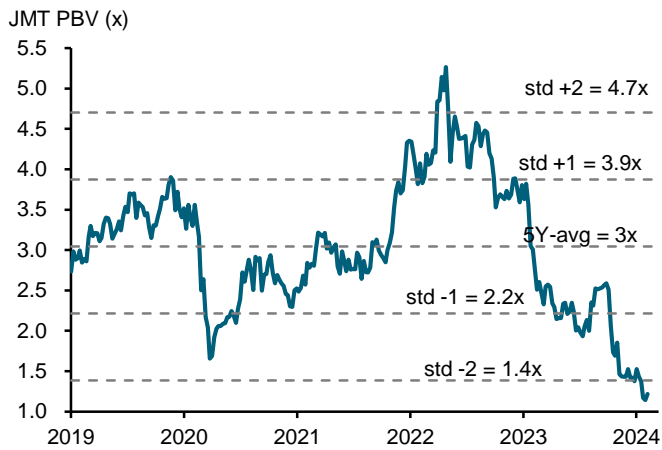
Source: FSSIA estimates

Exhibit 6: Share price performance of non-banks under coverage, as of 13 February 2024

	----- Price performance -----				
	1M (%)	3M (%)	6M (%)	1Y (%)	YTD (%)
TIDLOR TB	(4.26)	4.65	3.69	(13.46)	0.00
MTC TB	(5.95)	6.10	13.73	17.57	(3.33)
SAWAD TB	(4.85)	(11.80)	(18.65)	(29.91)	(3.09)
AEONTS TB	(1.62)	(0.33)	(4.72)	(25.00)	(5.31)
KTC TB	(2.81)	(7.49)	(8.47)	(25.75)	(0.57)
JMT TB	(6.79)	(2.18)	(42.89)	(50.60)	(3.14)
BAM TB	(1.79)	5.77	(21.43)	(47.45)	1.23
CHAYO TB	(7.96)	(5.45)	(28.81)	(44.80)	(4.59)
SETFIN	(4.46)	(1.15)	(11.60)	(29.14)	(2.23)
SET	(2.31)	(0.37)	(10.05)	(16.45)	(2.47)

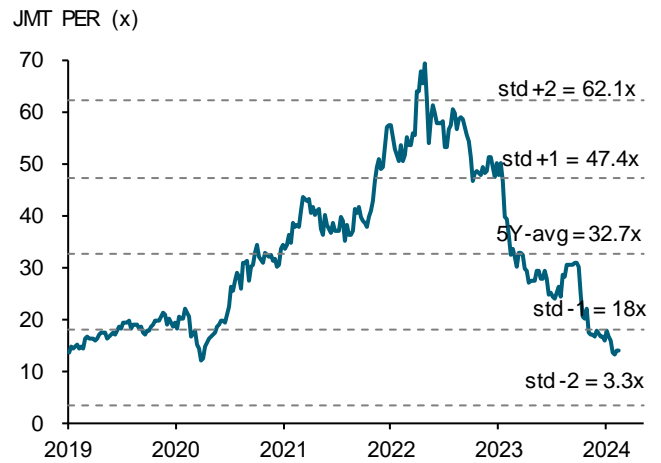
Source: Bloomberg

Exhibit 7: JMT – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 8: JMT – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Exhibit 9: Peer comparisons, as of 13 February 2024

Company name	BBG code	Rec	Share price (LCY)	Target price (LCY)	Up side (%)	PE		PBV		ROE		Div yld	
						23E (x)	24E (x)	23E (x)	24E (x)	23E (%)	24E (%)	23E (x)	24E (x)
AEON Thana Sinsap (Thailand)	AEONTS TB	HOLD	152.00	169.00	11	12.2	11.3	1.5	1.4	13.1	13.2	3.6	4.1
Krungthai Card	KTC TB	HOLD	43.75	49.00	12	15.5	14.3	3.2	2.8	21.8	20.7	2.3	2.6
Muangthai Capital	MTC TB	HOLD	44.75	43.00	(4)	19.9	15.9	3.0	2.5	15.6	17.2	0.8	0.9
Srisawad Corp	SAWAD TB	HOLD	40.25	45.00	12	11.0	10.3	2.0	1.8	18.7	18.0	4.5	4.8
Ngern Tid Lor	TIDLOR TB	BUY	23.00	28.00	22	16.9	13.9	2.3	2.0	14.2	15.2	1.2	1.4
JMT Network services	JMT TB	HOLD	24.90	25.70	3	18.5	15.1	1.4	1.4	8.1	9.0	4.3	5.3
Bangkok Commercial Asset Mgmt.	BAM TB	HOLD	8.40	8.75	4	18.5	15.3	0.6	0.6	3.4	4.1	3.8	4.5
Chayo Group	CHAYO TB	HOLD	5.30	5.70	8	16.1	15.5	1.7	1.6	11.6	10.7	0.7	1.0
Average						16.1	14.0	2.0	1.8	13.3	13.5	2.6	3.1

Sources: Bloomberg; FSSIA estimates

Financial Statements

JMT Network Services

Profit and Loss (THB m) Year Ending Dec	2022	2023E	2024E	2025E	2026E
Interest Income	3,803	4,415	5,657	6,663	7,051
Interest expense	(283)	(466)	(674)	(845)	(917)
Net interest income	3,520	3,949	4,983	5,818	6,135
Net fees & commission	(82)	57	104	135	163
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	0	0	0	0	0
Other income	386	457	459	489	523
Non interest income	304	513	563	624	685
Total income	3,825	4,462	5,546	6,442	6,820
Staff costs	(1,098)	(1,307)	(1,695)	(1,981)	(2,093)
Other operating costs	(789)	(793)	(1,091)	(1,284)	(1,370)
Operating costs	(1,888)	(2,101)	(2,786)	(3,265)	(3,463)
Pre provision operating profit	1,937	2,362	2,760	3,177	3,357
Expected credit loss	(144)	(462)	(571)	(641)	(709)
Other provisions	-	-	-	-	-
Operating profit	1,793	1,899	2,189	2,535	2,648
Recurring non operating income	98	538	705	861	1,039
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	1,891	2,437	2,894	3,396	3,687
Tax	(209)	(363)	(434)	(509)	(553)
Profit after tax	1,682	2,074	2,460	2,887	3,134
Non-controlling interest	62	(63)	(61)	(67)	(73)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,744	2,011	2,400	2,820	3,061
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	1,744	2,011	2,400	2,820	3,061
Per share (THB)					
Recurring EPS *	1.20	1.38	1.64	1.93	2.10
Reported EPS	1.20	1.38	1.64	1.93	2.10
DPS	1.08	1.08	1.32	1.55	1.68
Growth					
Net interest income (%)	26.4	12.2	26.2	16.8	5.4
Non interest income (%)	(14.9)	68.7	9.8	10.8	9.8
Pre provision operating profit (%)	15.6	21.9	16.9	15.1	5.7
Operating profit (%)	10.6	5.9	15.3	15.8	4.4
Reported net profit (%)	24.6	15.3	19.3	17.5	8.5
Recurring EPS (%)	16.7	15.2	19.3	17.5	8.5
Reported EPS (%)	16.7	15.2	19.3	17.5	8.5
Income Breakdown					
Net interest income (%)	92.0	88.5	89.8	90.3	90.0
Net fees & commission (%)	(2.1)	1.3	1.9	2.1	2.4
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	10.1	10.2	8.3	7.6	7.7
Operating performance					
Gross interest yield (%)	21.92	21.42	19.81	20.78	19.88
Cost of funds (%)	3.35	4.17	3.65	3.76	3.59
Net interest spread (%)	18.57	17.25	16.16	17.02	16.29
Net interest margin (%)	20.3	19.2	17.4	18.1	17.3
Cost/income(%)	49.4	47.1	50.2	50.7	50.8
Cost/assets(%)	6.1	5.5	6.0	6.1	6.0
Effective tax rate (%)	11.0	14.9	15.0	15.0	15.0
Dividend payout on recurring profit (%)	90.4	78.4	80.0	80.0	80.0
ROE (%)	8.3	8.1	9.0	10.5	11.1
ROE - COE (%)	(2.5)	(2.7)	(1.8)	(0.3)	0.3
ROA (%)	5.4	5.4	5.3	5.4	5.4
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	2022	2023E	2024E	2025E	2026E
Gross customer loans	18,322	22,899	30,278	33,862	37,069
Allowance for expected credit loss interest in suspense	-	-	-	-	-
Net customer loans	18,322	22,899	30,278	33,862	37,069
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	-	-	-	-	-
Cash & equivalents	2,797	1,786	3,305	4,088	3,198
Other interesting assets	-	-	-	-	-
Tangible fixed assets	198	281	274	301	331
Associates	-	-	-	-	-
Goodwill	112	119	136	150	165
Other intangible assets	106	108	130	140	141
Other assets	12,327	17,251	16,364	17,227	18,343
Total assets	33,862	42,444	50,487	55,768	59,246
Customer deposits	-	-	-	-	-
Bank deposits	0	100	0	0	0
Other interest bearing liabilities	9,368	12,897	20,431	24,500	26,572
Non interest bearing liabilities	1,405	2,140	2,550	3,154	3,904
Hybrid Capital	-	-	-	-	-
Total liabilities	10,773	15,137	22,981	27,655	30,476
Share capital	730	730	730	730	730
Reserves	22,287	25,814	25,926	26,490	27,102
Total equity	23,016	26,544	26,656	27,220	27,832
Non-controlling interest	72	764	851	893	938
Total liabilities & equity	33,862	42,444	50,487	55,768	59,246
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	17,352	20,610	28,562	32,070	35,466
Average interest bearing liabilities	8,437	11,183	18,456	22,466	25,536
CET 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
Per share (THB)					
Book value per share	15.77	18.18	18.26	18.65	19.07
Tangible book value per share	15.62	18.03	18.08	18.45	18.86
Growth					
Gross customer loans	11.8	25.0	32.2	11.8	9.5
Average interest earning assets	32.4	18.8	38.6	12.3	10.6
Total asset (%)	20.8	25.3	18.9	10.5	6.2
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	68.0	62.5	52.8	48.8	47.0
Tangible equity/assets (%)	67.3	62.0	52.3	48.3	46.5
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Allowance for ECL/gross loans (%)	-	-	-	-	-
Allowance for ECL/NPL (%)	-	-	-	-	-
Valuation					
Recurring P/E (x) *	20.8	18.1	15.1	12.9	11.9
Recurring P/E @ target price (x) *	21.5	18.7	15.6	13.3	12.3
Reported P/E (x)	20.8	18.1	15.1	12.9	11.9
Dividend yield (%)	4.3	4.3	5.3	6.2	6.7
Price/book (x)	1.6	1.4	1.4	1.3	1.3
Price/tangible book (x)	1.6	1.4	1.4	1.3	1.3
Price/tangible book @ target price (x)	1.6	1.4	1.4	1.4	1.4

Sources: JMT Network Services; FSSIA estimates

JMT Network Services PCL (JMT TB)

FSSIA ESG rating

★★

35.60 /100

Exhibit 10: FSSIA ESG score implication

Rating	Score	Implication
★★★★★	>79-100	Leading its industry peers in managing the most significant ESG risks which not only better cost efficiency but also lead to higher profitability.
★★★★★	>59-79	A mixed track record of managing the most significant ESG risks and opportunities relative to industry peers.
★★★	>39-59	Relevant ESG materiality matrix has been constructively addressed, well-managed and incorporated into day-to-day operations, in which targets and achievements are evaluated annually.
★★	>19-39	Relevant ESG materiality matrix has been identified with key management in charge for progress to be followed up on and to provide intensive disclosure. Most targets are conventional and achievable.
★	1-19	The company has adopted the United Nations Sustainable Development Goals (UN SDGs), established sustainability management guidelines and fully complies with regulations or ESG suggested guidance from related organizations such as the SET and SEC.

Sources: FSSIA estimates

Exhibit 11: ESG – peer comparison

	FSSIA	Domestic ratings						Global ratings						Bloomberg	
	ESG score	DJSI	SET THSI	THSI	CG score	AGM level	Thai CAC	Morningstar ESG risk	ESG Book	MSCI	Moody's	Refinitiv	S&P Global	ESG score	Disclosure score
SET100	69.20	5.34	4.40	4.40	4.76	4.65	3.84	Medium	51.76	BBB	20.87	58.72	63.91	3.72	28.17
Coverage	67.12	5.11	4.15	4.17	4.83	4.71	3.53	Medium	52.04	BB	16.97	56.85	62.09	3.40	31.94
BAM	55.19	--	Y	Y	5.00	4.00	Certified	Medium	47.11	B	--	49.29	14.00	2.88	54.79
CHAYO	13.00	--	--	--	4.00	4.00	--	--	--	--	--	--	--	--	--
JMT	35.60	--	--	--	4.00	5.00	Declared	Medium	--	BBB	--	12.70	13.00	--	39.90

Sources: SETTRADE.com; FSSIA's compilation

Exhibit 12: ESG score by Bloomberg

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
ESG financial materiality scores - ESG score	—	—	—	—
BESG environmental pillar score	—	—	—	—
BESG social pillar score	—	—	—	—
BESG governance pillar score	—	—	3.47	3.38
ESG disclosure score	26.04	26.04	38.38	39.90
Environmental disclosure score	0.42	0.42	11.81	13.23
Social disclosure score	9.55	9.55	16.35	19.50
Governance disclosure score	68.00	68.00	86.79	86.79
Environmental				
Emissions reduction initiatives	No	No	No	No
Climate change policy	No	No	No	No
Climate change opportunities discussed	No	No	No	No
Risks of climate change discussed	No	No	No	No
GHG scope 1	—	—	0	0
GHG scope 2 location-based	—	—	0	0
GHG Scope 3	—	—	—	0
Carbon per unit of production	—	—	—	—
Biodiversity policy	No	No	No	No
Energy efficiency policy	Yes	Yes	Yes	Yes
Total energy consumption	—	—	1	1
Renewable energy use	—	—	—	—
Electricity used	—	—	1	1
Fuel used - natural gas	—	—	—	—

Sources: Bloomberg; FSSIA's compilation

Exhibit 13: ESG score by Bloomberg (cont.)

FY ending Dec 31	FY 2019	FY 2020	FY 2021	FY 2022
Fuel used - crude oil/diesel	No	No	No	No
Waste reduction policy	No	No	No	No
Hazardous waste	—	—	—	—
Total waste	—	—	—	—
Waste recycled	—	—	—	—
Waste sent to landfills	—	—	—	—
Environmental supply chain management	No	No	No	No
Water policy	No	No	No	No
Water consumption	—	—	6	9
Social				
Human rights policy	Yes	Yes	Yes	Yes
Policy against child labor	No	No	No	No
Quality assurance and recall policy	No	No	No	No
Consumer data protection policy	No	No	Yes	Yes
Equal opportunity policy	Yes	Yes	Yes	Yes
Gender pay gap breakout	No	No	No	No
Pct women in workforce	—	—	—	4
Pct disabled in workforce	—	—	—	1
Business ethics policy	Yes	Yes	Yes	Yes
Anti-bribery ethics policy	Yes	Yes	Yes	Yes
Health and safety policy	No	No	No	No
Lost time incident rate - employees	—	—	—	—
Total recordable incident rate - employees	—	—	—	—
Training policy	No	No	Yes	Yes
Fair remuneration policy	No	No	No	No
Number of employees – CSR	2,023	2,008	1,684	1,902
Employee turnover pct	—	—	—	—
Total hours spent by firm - employee training	—	—	26,944	45,648
Social supply chain management	No	No	No	No
Governance				
Board size	7	7	7	7
No. of independent directors (ID)	3	3	3	3
No. of women on board	1	1	1	1
No. of non-executive directors on board	4	4	3	3
Company conducts board evaluations	No	No	No	No
No. of board meetings for the year	4	8	8	7
Board meeting attendance pct	100	100	100	100
Board duration (years)	—	—	3	3
Director share ownership guidelines	No	No	No	No
Age of the youngest director	42	43	46	47
Age of the oldest director	64	65	65	66
No. of executives / company managers	5	5	5	4
No. of female executives	2	2	2	1
Executive share ownership guidelines	No	No	No	No
Size of audit committee	3	3	3	3
No. of ID on audit committee	3	3	3	3
Audit committee meetings	4	4	4	4
Audit meeting attendance %	100	100	100	100
Size of compensation committee	3	3	3	3
No. of ID on compensation committee	1	1	1	1
No. of compensation committee meetings	2	3	2	2
Compensation meeting attendance %	100	100	100	100
Size of nomination committee	3	3	3	3
No. of nomination committee meetings	2	3	2	2
Nomination meeting attendance %	100	100	100	100
Sustainability governance				
Verification type	No	No	No	No

Sources: Bloomberg; FSSIA's compilation

Disclaimer for ESG scoring

ESG score	Methodology	Rating																			
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																			
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																			
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																			
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). (The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																			
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																			
Morningstar Sustainalytics	The Sustainalytics' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table border="1" style="width:100%; text-align:center;"> <thead> <tr> <th>NEGL</th> <th>Low</th> <th>Medium</th> <th>High</th> <th>Severe</th> </tr> </thead> <tbody> <tr> <td>0-10</td> <td>10-20</td> <td>20-30</td> <td>30-40</td> <td>40+</td> </tr> </tbody> </table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+									
NEGL	Low	Medium	High	Severe																	
0-10	10-20	20-30	30-40	40+																	
ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																			
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table border="1" style="width:100%; text-align:center;"> <tbody> <tr> <td>AAA</td> <td>8.571-10.000</td> <td rowspan="3">Leader:</td> <td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td> </tr> <tr> <td>AA</td> <td>7.143-8.570</td> </tr> <tr> <td>A</td> <td>5.714-7.142</td> </tr> <tr> <td>BBB</td> <td>4.286-5.713</td> <td rowspan="3">Average:</td> <td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td> </tr> <tr> <td>BB</td> <td>2.857-4.285</td> </tr> <tr> <td>B</td> <td>1.429-2.856</td> </tr> <tr> <td>CCC</td> <td>0.000-1.428</td> <td>Laggard:</td> <td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td> </tr> </tbody> </table>	AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities																		
AA	7.143-8.570																				
A	5.714-7.142																				
BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers																		
BB	2.857-4.285																				
B	1.429-2.856																				
CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks																		
Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																				
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. (Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)																				
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																				
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																			
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																			

Rating regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) "CG Score"; 2) "AGM Level"; 3) "Thai CAC"; and 4) THSI. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

GENERAL DISCLAIMER

ANALYST(S) CERTIFICATION

Usanee Liurut, CISA FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

This report has been prepared by FSS International Investment Advisory Securities Company Limited (FSSIA). The information herein has been obtained from sources believed to be reliable and accurate; however FSSIA makes no representation as to the accuracy and completeness of such information. Information and opinions expressed herein are subject to change without notice. FSSIA has no intention to solicit investors to buy or sell any security in this report. In addition, FSSIA does not guarantee returns nor price of the securities described in the report nor accept any liability for any loss or damage of any kind arising out of the use of such information or opinions in this report. Investors should study this report carefully in making investment decisions. All rights are reserved.

This report may not be reproduced, distributed or published by any person in any manner for any purpose without permission of FSSIA. Investment in securities has risks. Investors are advised to consider carefully before making investment decisions.

Company	Ticker	Price	Rating	Valuation & Risks
JMT Network Services	JMT TB	THB 24.90	HOLD	Downside risks to our P/BV-based TP include 1) lower cash collection from both debt management and debt tracking collection services; and 2) higher-than-expected funding costs and operating expenses. Upside risks include 1) better-than-expected purchasing power and cash collection; and 2) lower-than-expected operating and financing expenses.
Srisawad Corp	SAWAD TB	THB 40.25	HOLD	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 and the Office of Consumer Protection Board. Upside risks include 1) a faster-than-expected decline in losses on sales of repossessed cars for SCAP; and 2) an interest rate downtrend could push its interest spread.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 152.00	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Krungthai Card	KTC TB	THB 43.75	HOLD	Downside risks are: 1) regulatory actions to curb industry growth; 2) a higher-than-expected policy rate; and 3) deteriorating asset quality. Upside risks are: 1) better-than-estimated economic improvement; 2) stronger-than-estimated improvement in the overall asset quality; and 3) less pressure from the market yield and cost of funds.
Muangthai Capital	MTC TB	THB 44.75	HOLD	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 and the Office of Consumer Protection Board. Upside risks are 1) a positive development of asset quality which could bring down its credit costs and 2) a decreasing market interest rate which could alleviate its cost of funds burden.
Ngern Tid Lor	TIDLOR TB	THB 23.00	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB X); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Bangkok Commercial Asset Mngt.	BAM TB	THB 8.40	HOLD	Downside risks to our NAV-based TP include 1) lower cash collection than estimated; 2) lower-than-expected bad debt acquisition; and 3) a slowdown in the property market. Upsides include 1) better-than-expected economic conditions and debt repayment momentum; and 2) an acceleration in the demand for NPAs.
Chayo Group	CHAYO TB	THB 5.30	HOLD	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses. Upside risks include 1) better-than-expected cash collection performance and lower pressure from ECL, 2) stronger-than-expected loan growth, and 3) better cost control than expected.

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.

All share prices are as at market close on 13-Feb-2024 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.