

JMT NETWORK SERVICES

THAILAND / FINANCE & SECURITIES

JMT TB

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Dull collections punishable by ECL

- JMT reported a 1Q24 net profit of THB418m (down 22.6% q-q, 7.7% y-y), bearing consequences from soft collection results.
- We revised down our 2024-26E net profit by 27-29% to reflect higher ECLs and legal expenses over a soft path for cash collection.
- We maintain a HOLD call on JMT at a lower 2024 TP of THB19.0.

TARGET PRICE	THB19.00
CLOSE	THB17.50
UP/DOWNSIDE	+8.6%
PRIOR TP	THB25.70
CHANGE IN TP	-26.1%
TP vs CONSENSUS	-25.8%

KEY STOCK DATA

YE Dec (THB m)	2023	2024E	2025E	2026E
Operating profit	1,899	1,908	2,197	2,401
Net profit	2,011	1,741	2,048	2,266
EPS (THB)	1.38	1.19	1.40	1.55
vs Consensus (%)	-	(20.7)	(20.3)	(25.6)
Recurring net profit	2,011	1,741	2,048	2,266
Core EPS (THB)	1.38	1.19	1.40	1.55
Chg. In EPS est. (%)	-	(27.5)	(27.4)	(26.0)
EPS growth (%)	15.2	(13.4)	17.6	10.7
Core P/E (x)	12.7	14.7	12.5	11.3
Dividend yield (%)	4.7	4.1	4.8	5.3
Price/book (x)	1.0	0.9	0.9	0.9
ROE (%)	8.1	6.5	7.4	7.9
ROA (%)	5.4	4.2	4.9	5.2

1Q24 cash collection continues to disappoint

JMT reported a 1Q24 net profit of THB418m, implying a steep decline of 22.6% q-q and 7.7% y-y. The amount missed BBG consensus by 5% and marked an eight-quarter low. The overall 1Q24 operation witnessed pressures from 1) a declining gain from NPL receivables; 2) rising ECL expenses, reflecting a lower cash collection than JMT's projection, which finished at a mere THB2.1b (down 15.3% q-q, up 8.3% y-y); and 3) a dropping share of profit from JK AMC (50% ownership). All the factors signaled a deteriorating collection capability of the firm over a backdrop of impaired purchasing power of debtors.

Expect 1Q24 to mark a trough but no sanguine path ahead

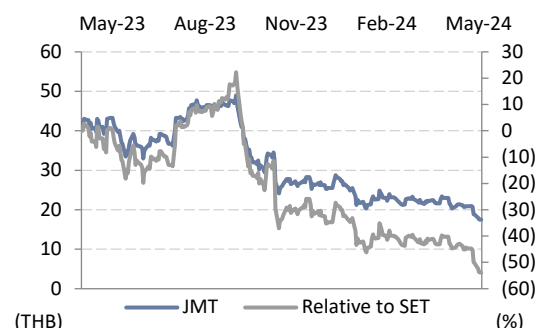
During JMART's 1Q24 analyst meeting (on 16 May), management addressed that the root of JMT's disappointing 1Q24 cash collection was largely due to a lower enthusiasm in paying off debt accounts of customers over an influence of tougher credit access from FIs, which normally was their alternative re-financing source. Currently, c97% of JMT's debtors are managed under the TDR model, while the rest c3% collected via legal actions. Going forward, management has considered improving its collection performance by ramping up the portion of legal action to 6%, which should take an average of 6 months until any improvement in collection shows. The firm expects 2Q24 to remain under the same backdrop as 1Q24.

Further 2024-26E earnings cuts

We revised down our 2024-26E net profit estimate by 27-29% to reflect pressure from high ECL expenses, especially in 2024, leading the net profit to decline 13.4% y-y, while we expect its legal action against troubled portfolios to bear fruit in 4Q24, leading to a moderate reversal of ECL in the period. On the other hand, we estimate legal expenses to increase, resulting in a lower GPM estimate from 69% to 67%. We expect 2025-26 net profit to recover at an average growth of 9.2% CAGR over lesser pressure on cash collection and ECL and a larger NPL portfolio.

Maintain our HOLD call at a lower TP of THB19.00

Although the share price has already experienced a 31% YTD decline, the outlook we received inferred no smooth path of recovery in the near term. Our new GGM-based valuation suggests a 2024 TP of THB19.00 (from THB25.70), implying a PBV ratio of 0.98x (from 1.36x), assuming LT ROE 7.9% and COE 8.0% (from LT ROE 12.5% and COE 8.0%).



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(23.9)	(24.2)	(57.6)
Relative to country (%)	(22.9)	(23.8)	(52.6)
Mkt cap (USD m)	707		
3m avg. daily turnover (USD m)	12.1		
Free float (%)	21		
Major shareholder	JMART Pcl. (54%)		
12m high/low (THB)	50.00/16.80		
Issued shares (m)	1,460		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

We maintain our HOLD call on JMT for factors including:

- 1) We expect JMT’s performance to remain under the pressure of sluggish macroeconomic trends and high level of household debts.
- 2) We expect JMT in 2024 to encounter an economic backdrop similar to 2023 until signs of meaningful development can be seen. We expect the firm to encounter higher legal expenses due to its attempt to increase cash collection via legal processes.
- 3) We lowered our 2024 TP to THB19.00 (from THB25.70) under the GGM methodology, which yields a target P/BV ratio of 0.98x (from 1.36x) over LT ROE of 7.9% and COE of 8.0% (from LT ROE of 12.5% and COE of 8.0%).

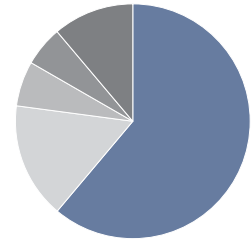
Company profile

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, 1Q24)

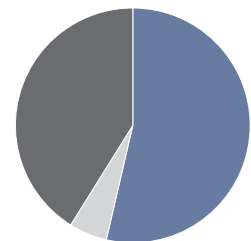
- Debt management - 61.1 %
- Gains from purchase of A/R - 16.0 %
- Debt collection - 6.2 %
- Net insurance income - 5.5 %
- Other income - 11.2 %



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 purchase price of debt;
- 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 includes 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expenses.

Event calendar

Date	Event
Jul 2024	2Q24 results announcement

Key assumptions

	2024E (THB m)	2025E (THB m)	2026E (THB m)
Net profit	1,741	2,048	2,266
Growth (y-y %)	(13.4)	17.6	10.7
Cash collection	8,969	9,654	10,548
Growth (y-y %)	3.0	7.6	9.3
Purchase of receivables	24,747	25,924	27,460
Growth (y-y %)	3.2	4.8	5.9
Cost to income ratio (%)	15.6%	15.6%	15.6%

Source: FSSIA estimates

Earnings sensitivity

		----- 2024E -----		
Cash collection ratio	±1ppt	24.5	25.5	26.5
% change in net profit		(7.2)	-	7.2
Cost to income	±1ppt	14.6	15.6	16.6
% change in net profit		2.6	-	(2.6)

Source: FSSIA estimates

1Q24 cash collection continues to disappoint

JMT reported a 1Q24 net profit of THB418m, implying a steep decline of 22.6% q-q and 7.7% y-y. The amount missed BBG consensus by 5% and marked an eight-quarter low. The overall 1Q24 operation witnessed pressures from 1) a declining gain from NPL receivables; 2) rising ECL expenses, reflecting a lower cash collection than JMT's projection; and 3) a dropping share of profit from JK AMC (50% ownership). All the factors signaled a deteriorating collection capability of the firm over a backdrop of impaired purchasing power of debtors.

Highlights

(-) Revenue: The group's total revenue was THB1.36b, slightly declining by 1.7% q-q but increasing by 18.0% y-y due largely to a push from higher interest income recognized following portfolio expansion in 2023. However, gain on NPL of THB198m showed a disappointing decline of 8.1% q-q and 23.0% y-y due to stressful conditions of debtors seen since 3Q23. The income from debt collection service dropped both q-q and y-y for lower tasks assigned, while the insurance brokerage fee fell 34.8% q-q and 24.0% y-y as the group considered avoiding losses incurred upon underwriting new contracts. In 1Q24, Jaymart Insurance (73% interest) shared a continued loss of THB11m to the group, compared to a marginal gain in 1Q23.

(-) Cash collection: The total cash collected in 1Q24 was reported at THB2.1b, securing 23% of our estimate. From the amount, THB1.4b was contributed by JMT alone, which posted a decline of 4.5% q-q due to the seasonality effect but climbed only moderately at 5.8% y-y despite a 20% y-y expansion in its NPL portfolio, leaving the rest THB657m from JK AMC (down 32.1% q-q, but up 14.3% y-y).

(-) Investment in NPL of THB171 slowed vastly on both q-q and y-y terms, finishing largely far under our 2024E of THB3.5b, for the requirement of the Bank of Thailand's responsible lending policy for creditors to attempt negotiating with troubled debtors before write-offs and sales, causing a delay in supply in 1H24.

(-) OPEX and ECL: The OPEX showed a moderate y-y increase along with a higher number of employees to support its portfolio expansion, while the cost-to-income ratio of 14.9% remained stable q-q but declined from 16.3% in 1Q23. On the contrary, 1Q24 ECL expense of THB189m posted a rise of 49.9% y-y and 66.5% y-y due to a cash collection performance that was lower than the firm's projection.

Exhibit 1: JMT – 1Q24 operation summary

	1Q23	2Q23	3Q23	4Q23	1Q24	Change		% of	2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	2024E	(THB m)	(THB m)	(y-y %)
Total revenue	1,150	1,249	1,308	1,379	1,356	(1.7)	18.0	24	5,086	5,742	12.9
Cost of services	370	371	392	434	414	(4.6)	11.9	22	1,567	1,872	19.5
Gross profit	780	878	916	945	942	(0.3)	20.8	24	3,519	3,870	10.0
Other income	20	23	36	22	34	55.4	67.3	25	101	135	33.5
Operating expenses	187	196	205	205	203	(1.2)	8.2	23	794	895	12.8
Share of profit from subsidiaries	134	130	114	161	82	(49.0)	(38.8)	24	538	336	(37.6)
Expected credit loss	114	56	167	126	189	49.9	66.5	29	462	658	42.2
Financial cost	95	109	130	132	138	4.2	44.9	25	466	544	16.8
Profit before tax	538	669	565	664	528	(20.5)	(1.8)	24	2,436	2,243	(7.9)
Income tax	81	95	86	101	105	4.4	29.2	23	363	449	23.5
Net profit	453	551	466	540	418	(22.6)	(7.7)	24	2,011	1,741	(13.4)
EPS (THB)	0.31	0.38	0.32	0.37	0.29	(22.6)	(7.7)	24	1.38	1.19	(13.4)
Key balance sheet items											
Gross NPL receivable	19,780	21,820	23,696	23,973	23,712	(1.1)	19.9	96	23,973	24,747	3.2
Additional investment	1,384	2,702	2,294	838	171	(79.6)	(87.7)	5	7,218	3,500	(51.5)
Cash collection	1,369	1,561	1,330	1,518	1,449	(4.5)	5.8	23	5,778	6,212	7.5
Leverage ratios											
D/E	(x)	(x)	(x)	(x)	(x)				(x)	(x)	
IBD/E	0.4	0.6	0.6	0.6	0.5				0.6	0.5	
Interest bearing debt	0.3	0.5	0.5	0.5	0.5				0.5	0.5	
	7,858	11,823	11,141	12,997	11,288				12,997	12,390	
Profitability ratios											
Cost-to-income ratio	(%)	(%)	(%)	(%)	(%)				(%)	(%)	
	16.3	15.7	15.6	14.9	14.9				15.6	15.6	
ECL / AMC revenue	11.6	5.1	14.6	10.5	15.5				10.5	13.0	
Gross margin	67.8	70.3	70.1	68.5	69.5				69.2	67.4	
Gross margin (x insurance)	71.0	73.5	73.7	72.0	72.0				72.6	70.0	
Average cost of funds	4.41	4.44	4.52	4.38	4.53				4.17	4.29	
Net margin	39.4	44.1	35.6	39.2	30.8				39.5	30.3	
ROE	7.8	9.4	8.0	8.7	6.6				8.1	6.5	
ROA	5.1	5.7	4.6	5.2	4.0				5.3	4.1	

Sources: JMT; FSSIA estimates

Exhibit 2: Revenue breakdown

	1Q23	2Q23	3Q23	4Q23	1Q24	----- Change -----		% of	2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	2024E	(THB m)	(THB m)	(y-y %)
Total revenue	1,150	1,249	1,308	1,379	1,356	(1.7)	18.0	24	5,086	5,742	12.9
Debt collection	94	84	88	89	82	(8.6)	(12.9)	24	355	343	(3.5)
Debt management	724	851	938	987	1,020	3.3	40.8	25	3,500	4,141	18.3
Gain on loans receivables	257	238	204	216	198	(8.1)	(23.0)	21	914	926	1.2
Insurance income	75	76	78	87	57	(34.8)	(24.0)	17	316	332	5.0
Operating expenses	370	371	392	434	414	(4.6)	11.9	22	1,567	1,872	19.5
Cost of services	311	311	323	362	364	0.5	16.9	22	1,307	1,623	24.1
Insurance expenses	59	60	68	72	50	(30.3)	(14.1)	20	260	249	(4.1)
Gross profit	780	878	916	945	942	(0.3)	20.8	24	3,519	3,870	10.0

Sources: JMT; FSSIA estimates

Exhibit 3: Historical investment and cash collection of JMT and JK AMC

	1Q23	2Q23	3Q23	4Q23	1Q24	----- Change -----		% of	2023	2024E	Change
	(THB m)	(THB m)	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	2024E	(THB m)	(THB m)	(y-y %)
Investment	1,384	2,702	2,294	838	171	(79.6)	(87.7)	5	7,218	3,500	(51.5)
Cash collection	1,369	1,561	1,330	1,518	1,449	(4.5)	5.8	23	5,778	6,212	7.5
Cash collection (JK AMC)	575	738	651	968	657	(32.1)	14.3	24	2,932	2,757	(6.0)
Total cash collection	1,944	2,299	1,981	2,486	2,106	(15.3)	8.3	23	8,710	8,969	3.0

Note: Investment figures do not include the contribution from JK AMC.

Sources: JMT; FSSIA estimates

Expect 1Q24 to mark a quarterly trough

During JMT's 1Q24 analyst meeting (on 16 May), the main attention was around 1) insights into the underperforming 1Q24 results; and 2) the outlook for cash collection in both 2Q24 and FY2024.

Management addressed that the root of its disappointing 1Q24 cash collection was largely due to a lower enthusiasm in paying off accounts of its customers, especially for secured loans, over an influence of tougher credit access from financial institutions, which normally was an alternative re-financing source for JMT's debtors. The firm expects 2Q24 to remain under the same backdrop of 1Q24 with high ECL pressure to remain eminent, but point to a limited downside from the past quarter. Meanwhile, JMT reaffirmed that the 2024 cash collection should have a positive y-y change.

Currently, c97% of JMT's debtors are managed under the TDR model, while the rest c3% collected via legal actions. Going forward, management has considered improving its collection performance by ramping up the proportion of legal action on debtors to 6%, which should take an average duration of 6 months until collection is feasible and exhibits ECL reversals, implying a positive effect to appear as late as 4Q24. We expect the following consequences to be higher legal expenses from cTHB105m/quarter in 2023 to cTHB157m/quarter in 2024.

JMT gave no target on its 2024 investment in receivables but would adhere to its narrative of retaining a favorable portfolio IRR and expect continued ample opportunity and amount of NPL supply in 2H24. With little investment made in 1Q24, we lowered our 2024-26 investment assumption from THB5.0b/annum to THB3.5b-4.5b/annum.

Further 2024-26E earnings cuts

We revised down our 2024-26E net profit estimate by 27-29% to reflect pressure from high ECL expenses, especially in 2024, leading the net profit to decline 13.4% y-y, while we expect its legal action against troubled portfolios to bear fruit in 4Q24, leading to a moderate reversal of ECL in the period. On the other hand, as a consequence, we estimate legal expenses to increase, resulting in a lower gross profit margin from 69% to 67%. We expect 2025-26 net profit to recover at an average growth of 9.2% CAGR over lesser pressure on cash collection and ECL and a larger NPL portfolio.

For 2Q24, we have a cautious expectation of the collection performance, with no catalysts foreseeable in the near term. The net profit should remain stable q-q, but growth on a y-y basis is unlikely due to an outstanding result in 2Q23.

Exhibit 4: 2024-26E earnings revision

	----- Current -----			----- Previous -----			----- Change -----		
	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (THB m)	2025E (THB m)	2026E (THB m)	2024E (%)	2025E (%)	2026E (%)
Net profit	1,741	2,048	2,266	2,400	2,820	3,207	(27.4)	(27.4)	(29.3)
EPS (THB)	1.19	1.40	1.55	1.64	1.93	2.20	(27.5)	(27.4)	(29.4)
Growth (y-y %)	(13.4)	17.6	10.7	19.3	17.5	13.7			
Additional acquisition	3,500	4,000	4,500	5,000	5,000	5,000	(30.0)	(20.0)	(10.0)
Cash collection	8,969	9,654	10,548	9,629	10,484	11,250	(6.9)	(7.9)	(6.2)
Growth (y-y %)	3.0	7.6	9.3	10.6	8.9	7.3			
Share of profit from JK AMC	336	437	513	705	861	1,039	(52.4)	(49.2)	(50.6)
Key financial ratios	(%)	(%)	(%)	(%)	(%)	(%)			
ECL / AVG. NPL	2.70	2.20	2.20	2.00	2.00	2.00			
Cost-to-income	15.59	15.59	15.59	17.00	17.00	17.00			
Cost of service / Revenue	28.02	27.60	27.30	26.42	26.22	25.97			
Cost of funds	4.29	4.31	4.32	3.65	3.76	3.23			
ROAA	4.1	4.7	5.1	5.3	5.4	5.4			
ROAE	6.5	7.4	7.9	9.0	10.5	11.1			
GPM	67.4	67.0	66.4	68.7	68.4	68.0			
NPM	30.3	33.9	35.0	33.2	33.0	34.6			

Source: FSSIA estimates

Maintain our HOLD call at a lower TP of THB19.00

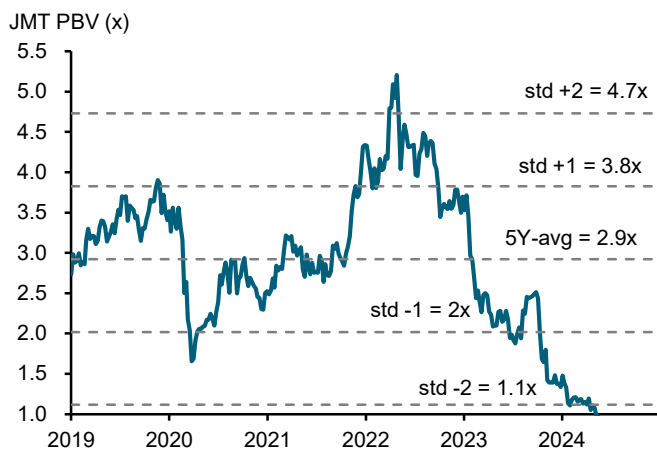
As the share price has already experienced a 31% YTD decline, sitting over a concern on its 1Q24 performance, we view the trend to have largely reflected bad news. However, the outlook we received that inferred no smooth path of recovery convinced us no re-rating in the near term. Our new GGM-based valuation suggests a 2024 TP of THB19.00 (from THB25.70), implying a PBV ratio of 0.98x (from 1.36x), assuming LT ROE 7.9% and COE 8.0% (from LT ROE 12.5% and COE 8.0%).

Exhibit 5: GGM-based 2024 TP

Gordon growth	2024E	Previous
Sustainable ROE (%)	7.9	12.5
Terminal growth rate (%)	3.2	5.0
Risk-free rate (%)	3.0	3.0
Expected market return (%)	8.0	8.0
Market risk premium (%)	5.0	5.0
Beta	1.0	1.5
Cost of equity (%)	8.0	8.0
Target PBV ratio (x)	0.98	1.36
Fair value (THB)	19.00	25.70

Source: FSSIA estimates

Exhibit 7: JMT – one-year prospective PBV band



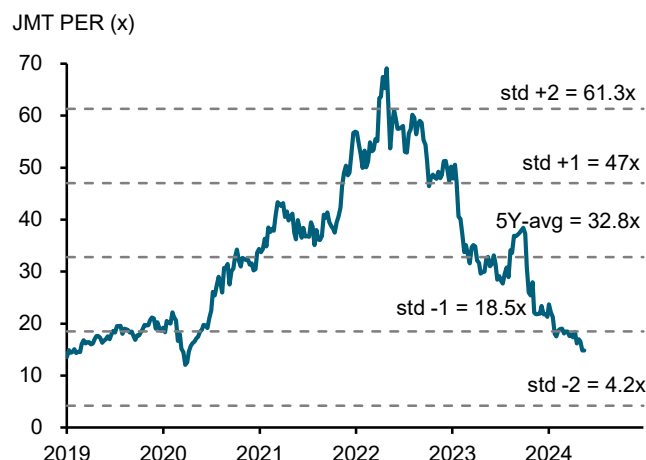
Sources: Bloomberg; FSSIA estimates

Exhibit 6: Share price performance of non-banks under coverage, as of 15 May 2024

	Price performance				
	1M	3M	6M	1Y	YTD
	(%)	(%)	(%)	(%)	(%)
TIDLOR TB	4.7	(4.1)	(5.8)	(15.4)	(4.1)
MTC TB	6.3	3.4	5.7	20.1	2.8
SAWAD TB	11.4	10.7	1.8	(15.1)	10.0
AEONTS TB	(1.9)	4.3	1.3	(19.0)	(1.3)
KTC TB	(1.1)	2.3	(4.4)	(20.5)	0.6
SAK TB	8.5	14.1	21.0	(11.8)	26.2
ASK TB	(10.7)	(17.5)	(27.4)	(47.9)	(24.1)
JMT TB	(18.6)	(24.2)	(34.0)	(58.3)	(31.4)
BAM TB	(8.7)	10.5	6.5	(20.1)	9.8
CHAYO TB	(16.8)	(24.6)	(28.0)	(48.2)	(27.3)
SETFIN	(0.7)	(2.1)	(6.2)	(22.9)	(4.7)
SET	0.8	(0.6)	(2.7)	(9.5)	(2.7)

Source: Bloomberg

Exhibit 8: JMT – one-year prospective PER band



Sources: Bloomberg; FSSIA estimates

Financial Statements

JMT Network Services

Profit and Loss (THB m) Year Ending Dec	2022	2023	2024E	2025E	2026E
Interest Income	2,615	3,500	4,141	4,307	4,538
Interest expense	(283)	(466)	(544)	(530)	(532)
Net interest income	2,332	3,034	3,597	3,777	4,005
Net fees & commission	279	316	332	399	518
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	-	-	-	-	-
Other income	1,575	1,371	1,404	1,513	1,653
Non interest income	1,853	1,688	1,736	1,912	2,171
Total income	4,185	4,722	5,333	5,689	6,176
Staff costs	(1,459)	(1,567)	(1,872)	(1,992)	(2,177)
Other operating costs	(789)	(793)	(895)	(942)	(1,011)
Operating costs	(2,248)	(2,360)	(2,767)	(2,935)	(3,188)
Pre provision operating profit	1,937	2,362	2,565	2,754	2,988
Expected credit loss	(144)	(462)	(658)	(557)	(587)
Other provisions	-	-	-	-	-
Operating profit	1,793	1,899	1,908	2,197	2,401
Recurring non operating income	98	538	336	437	513
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	0	0	0	0	0
Profit before tax	1,891	2,437	2,243	2,634	2,914
Tax	(209)	(363)	(449)	(527)	(583)
Profit after tax	1,682	2,074	1,794	2,107	2,331
Non-controlling interest	62	(63)	(54)	(59)	(65)
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	1,744	2,011	1,741	2,048	2,266
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	1,744	2,011	1,741	2,048	2,266
Per share (THB)					
Recurring EPS *	1.20	1.38	1.19	1.40	1.55
Reported EPS	1.21	1.38	1.19	1.40	1.55
DPS	0.91	0.83	0.72	0.84	0.93
Growth					
Net interest income (%)	34.9	30.1	18.6	5.0	6.0
Non interest income (%)	17.1	(8.9)	2.8	10.2	13.5
Pre provision operating profit (%)	15.6	21.9	8.6	7.4	8.5
Operating profit (%)	11.1	5.9	0.4	15.1	9.3
Reported net profit (%)	25.1	15.3	(13.4)	17.6	10.7
Recurring EPS (%)	17.2	15.2	(13.4)	17.6	10.7
Reported EPS (%)	(3.5)	14.1	(13.4)	17.6	10.7
Income Breakdown					
Net interest income (%)	55.7	64.3	67.5	66.4	64.9
Net fees & commission (%)	6.7	6.7	6.2	7.0	8.4
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	-	-	-	-	-
Other income (%)	37.6	29.0	26.3	26.6	26.8
Operating performance					
Gross interest yield (%)	12.90	13.50	13.92	14.48	14.98
Cost of funds (%)	3.35	4.17	4.29	4.31	4.32
Net interest spread (%)	9.55	9.33	9.63	10.17	10.66
Net interest margin (%)	11.5	11.7	12.1	12.7	13.2
Cost/income(%)	53.7	50.0	51.9	51.6	51.6
Cost/assets(%)	7.3	6.2	6.5	6.8	7.2
Effective tax rate (%)	11.0	14.9	20.0	20.0	20.0
Dividend payout on recurring profit (%)	76.1	60.2	60.0	60.0	60.0
ROE (%)	8.3	8.1	6.5	7.4	7.9
ROE - COE (%)	0.3	0.1	(1.5)	(0.6)	(0.1)
ROA (%)	5.4	5.4	4.2	4.9	5.2
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	2023	2024E	2025E	2026E
Gross customer loans	18,490	23,161	23,909	25,046	26,530
Allowance for expected credit loss	490	812	838	878	930
interest in suspense	(658)	(1,074)	(1,732)	(2,289)	(2,876)
Net customer loans	18,322	22,899	23,015	23,635	24,583
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	-	-	-	-	-
Cash & equivalents	2,797	1,786	1,894	2,187	2,355
Other interesting assets	-	-	-	-	-
Tangible fixed assets	198	281	295	309	325
Associates	-	-	-	-	-
Goodwill	112	119	125	132	138
Other intangible assets	106	108	113	119	125
Other assets	12,327	17,251	17,172	17,347	17,699
Total assets	33,862	42,444	42,615	43,728	45,225
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	9,368	12,997	12,390	12,228	12,391
Non interest bearing liabilities	1,405	2,140	2,351	2,582	2,837
Hybrid Capital	-	-	-	-	-
Total liabilities	10,773	15,137	14,741	14,810	15,228
Share capital	730	730	730	730	730
Reserves	22,286	25,813	26,343	27,346	28,384
Total equity	23,015	26,543	27,073	28,076	29,114
Non-controlling interest	72	764	802	842	884
Total liabilities & equity	33,861	42,444	42,615	43,728	45,225
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	20,276	25,922	29,748	29,748	30,292
Average interest bearing liabilities	8,437	11,183	12,694	12,309	12,310
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	18.55	19.23	19.94
Tangible book value per share	15.62	18.03	18.38	19.06	19.76
Growth					
Gross customer loans	13.2	25.3	3.2	4.8	5.9
Average interest earning assets	34.9	27.8	14.8	0.0	1.8
Total asset (%)	20.8	25.3	0.4	2.6	3.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	68.0	62.5	63.5	64.2	64.4
Tangible equity/assets (%)	67.3	62.0	63.0	63.6	63.8
RWA/assets (%)	-	-	-	-	-
CET 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality (FSSIA's calculation)					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Allowance for ECL/gross loans (%)	(2.6)	(3.5)	(3.5)	(3.5)	(3.5)
Allowance for ECL/NPL (%)	-	-	-	-	-
Valuation					
Recurring P/E (x) *	14.6	12.7	14.7	12.5	11.3
Recurring P/E @ target price (x) *	15.9	13.8	15.9	13.5	12.2
Reported P/E (x)	14.5	12.7	14.7	12.5	11.3
Dividend yield (%)	5.2	4.7	4.1	4.8	5.3
Price/book (x)	1.1	1.0	0.9	0.9	0.9
Price/tangible book (x)	1.1	1.0	1.0	0.9	0.9
Price/tangible book @ target price (x)	1.2	1.1	1.0	1.0	1.0

Sources: JMT Network Services; FSSIA estimates

JMT Network Services PCL (JMT TB)

FSSIA ESG rating

★★

35.60 /100

Exhibit 9: 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 10: ESG – peer comparison

	FSSIA ESG score	Domestic ratings						Global ratings						Bloomberg	
		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](https://www.settrade.com); FSSIA's compilation

Exhibit 11: 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 12: 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 (50-59), 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%). <i>(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.)</i>	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. <i>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.</i>	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="margin-left: auto; margin-right: auto;"> <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="margin-left: auto; margin-right: auto;"> <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
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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. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																				
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

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

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Company	Ticker	Price	Rating	Valuation & Risks
JMT Network Services	JMT TB	THB 17.50	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 includes 1) better-than-expected purchasing power and cash collection 2) lower-than-expected operating and financing expense
Ngern Tid Lor	TIDLOR TB	THB 20.80	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.
Muangthai Capital	MTC TB	THB 46.25	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 and the Office of Consumer Protection Board.
Srisawad Corp	SAWAD TB	THB 40.50	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 158.00	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.
Saksiam Leasing	SAK TB	THB 5.25	HOLD	Upside risks to our GGM-derived TP include 1) loan expansion following the broad-based economic recovery 2) a reduction in cost of funds due mainly to the downward interest rate trend and 3) an accelerated decrease in credit costs owing to the rise in consumers purchasing power. Downside risks include 1) competition from existing and new players 2) regulatory changes by the Bank of Thailand (BoT) and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Asia Sermkij Leasing PCL	ASK TB	THB 15.10	HOLD	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. Upside risks include 1) a better-than-expected macroeconomic improvement; 2) downtrend of policy rate could reduce cost of funds and enhance interest spreads; and 3) a faster-than-expected decline in ECL expense.
Bangkok Commercial Asset Mngt.	BAM TB	THB 8.95	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 3.96	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 16-May-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.