

JAYMART GROUP HOLDINGS PLC

No. 26/2024
15 March 2024

CORPORATES

Company Rating:	BBB+
Issue Ratings:	
Senior unsecured	BBB
Outlook:	Negative

Last Review Date: 13/03/23

Company Rating History:

Date	Rating	Outlook/Alert
18/03/22	BBB+	Stable
22/09/21	BBB	Positive
18/03/16	BBB	Stable

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RATIONALE

TRIS Rating affirms the company rating on Jaymart Group Holdings PLC (JMART) at “BBB+” and affirms the ratings on JMART’s existing senior unsecured debentures at “BBB”. The issue ratings are notched down from the company rating due to the structural subordination of JMART’s senior unsecured debt obligations to the debt obligations of its operating subsidiaries, in terms of priority of claims against operating assets.

At the same time, we revise the rating outlook to “negative” from “stable”. The “negative” outlook reflects the company’s weakened financial risk profile, primarily due to its lower-than-expected operating performance, coupled with aggressive investments over the past few years. We also expect the company’s financial leverage to remain high over the next few years given its continuous acquisition of distressed assets while the prospect for collection remains uncertain.

The company rating continues to reflect JMART’s moderate business profile, anchored mainly by the revenue strength of its three main subsidiaries, comprising JMT Network Services PLC (JMT, “BBB+/Negative”), its core subsidiary operating distressed asset management business; Jaymart Mobile Co., Ltd. (JMB), a mobile handset trading business; and JAS Asset PLC (J-Asset), a property development company.

KEY RATING CONSIDERATIONS

Heightened financial risk

JMART’s consolidated operating performance in 2023 fell below our expectations, primarily because of JMT’s weakened cash collection from distressed debtors amid a weak economic environment and rising interest rates. Despite efforts, cash collection saw a modest growth of just 4% to THB5.8 billion in 2023 compared with growth rates of over 20% observed in 2021-2022. Furthermore, JMB also experienced a slowdown in sales, particularly through the distribution channel of its affiliate, Singer (Thailand) PLC (SINGER, rated “BB+/Stable”).

Meanwhile, the company’s financial leverage has continued to increase due to its own investments and accelerated acquisition of non-performing loans (NPLs) at JMT over the past two years. The company’s consolidated total debt increased significantly to THB26.5 billion at the end of 2023 from THB15.9 billion in 2021. The adjusted net debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) ratio surged to 3.6 times at the end of 2023 from 1.2 times in 2021.

The increase in leverage can be attributed to a significant uptick in JMT’s NPL acquisition, with an annual budget ranging between THB5-THB9 billion in 2021-2023, in contrast to THB2-THB4 billion in 2018-2020. Notable investments in recent years in entities including JK Asset Management Co., Ltd. (JK AMC), BNN Restaurant Group Co., Ltd. (BNN), PRTR Group PLC (PRTR), Super Turtle PLC (TURTLE), Buriram Sugar PLC (BRR), and others have further fueled the increase in JMART’s leverage. In addition, JMT extended credit facilities to JK AMC amounting to THB4.9 billion by the end of 2023, adding to the overall leverage.

In our base-case scenario for the next three years, we anticipate JMT will acquire NPLs ranging from THB5-THB7 billion per annum but with no

significant investments at JMART. The cash collection rate in 2024 is projected to continue at levels similar to those in 2023, owing to a sluggish economy, with a gradual recovery anticipated in 2025-2026. As a result, the company's adjusted net debt to EBITDA ratio is expected to trend higher to 3.5-4.0 times over the next three-years.

JMT remains the core operating entity

JMT's distressed asset management business serves as a crucial earnings contributor to JMART Group, underscoring the core status of JMT within the JMART Group. The proportion of JMT's total assets to JMART's consolidated total assets rose to 68.2% at the end of 2023, from 43.0% at the end of 2018. In 2023, despite weaker-than-expected performance, JMT still reported a net profit of THB2.1 billion, marking a 23.3% increase year-on-year (y-o-y).

Meanwhile, JMART's net income decreased to THB599 million, influenced by a share loss from SINGER and unrealized losses from investments. Looking forward, we expect JMT to continue to play the central role in terms of revenue, net profit, and total assets, underscoring JMART's dependence on JMT for sustained financial strength within the JMART Group.

Moderate business risk profile

JMART Group's operations are predominantly centered around the retail and finance businesses. JMART's business risk profile is assessed as moderate. The assessment stems from the company's adequate position in both retail and finance businesses. However, JMART's heavy reliance on the strong performance of JMT and the relatively weaker performance of other entities remain key constraints on the company's business risk profile. Looking forward, the ability to bolster each of JMART's diverse revenue streams would have a positive impact on the company rating.

Expected slowdown investment

According to management, JMART's future growth is likely to be predominantly organic and more cautious, with the possible divestment of prior investments. The investment budget over the next few years is thus likely to decrease from the previous years. In 2024, we anticipate a conservative investment budget for JMART not exceeding THB200 million. Apart from that, we assume JMT's annual budget for NPL acquisitions of THB5-THB7 billion over the next three years while J-Asset's expansion into community malls will have a budget of THB1 billion in 2024.

Synergy with new investments

JMART's largest investments in recent years was in BNN's restaurant chain called "Suki Teenoi", with an initial budget of THB1.2 billion. BNN has demonstrated outstanding operating performance over the past two years, achieving revenues and net profits of THB5.2 billion and THB911 million, respectively, in 2023, representing a growth rate of 32% and 55% y-o-y, respectively. In 2023, JMART received a dividend of THB178 million from BNN's net profit in 2022.

The collaboration between JMART and BNN has resulted in various synergies, such as the opening of Suki Teenoi restaurants in J-Asset's community malls, the implementation of the "J-point Loyalty Program" launched by J Elite Co., Ltd., a subsidiary of JMART, and the collaboration of BNN with Beans and Brown Co., Ltd. (BB), a subsidiary of JMART, to set up "Teenoi pop-up café".

Strong market position in mobile handset trading business

We believe JMB will continue to uphold its position as one of the major mobile distributors in Thailand despite a decline in mobile sales last year. Its standing is likely to be buoyed by various collaborations with its associates, such as BNN, BRR, PRTR, and KBJ Capital Co., Ltd. (KBJ Capital, rated "A-/stable").

In 2023, the performance of JMB weakened mainly due to lower revenue while administrative expenses remained fairly stable. Total revenue declined by 10.2% y-o-y to THB8.7 billion while net profit dropped to THB119 million, a decline of 66.3% y-o-y.

Overall mobile sales volume in Thailand slowed down in 2023. As for JMB, the decline was apparently from sales through the SINGER channel. Nonetheless, this was partly offset by sales of Samsung mobile phones, which were supported by a financing initiative named "Samsung Finance Plus" specifically focusing on locked mobile phone lending and managed by KBJ Capital. The program contributed around THB1 billion in mobile sale revenue for JMB.

Other collaborations within the group that helped support revenue included the J-point Loyalty Program (for mobile purchases) and mobile care services by Jaymart Insurance. JMB also offers products to employees of BNN, BRR, and PRTR. With these synergies and strategic moves in place, we project annual total revenue for JMB to be in the THB8.5-THB9.0 billion range in 2024-2026

J-Asset gradually benefiting from its investments

J-Asset has continued to improve its financial performance gradually over the past two years, following the opening of new community malls – "Jas Green Village Kubon" and "Jas Green Village Bang Bua Thong". Although the incremental

improvement is still relatively modest, we view this as a step in the right direction for JMART's revenue diversification. Continuous enhancement of revenue and earnings will be positive for JMART's credit profile in the longer term. J-Asset reported total revenue of THB581 million in 2023, up 4.4% y-o-y.

We believe J-Asset's strategy to focus on rental spaces in community malls should slowly strengthen its performance in the longer term. In 2024, J-Asset plans to open three new community malls, consisting of "Jas Green Village Prawet", "Jas Green Village Ram Khamhaeng", and "Jas Green Village Khon Kaen". The company's total leasable area will increase by around 25,000 square meters.

Meanwhile, its senior care facilities, under the name "SENERA Senior Wellness", were fully launched at Jas Green Village Kubon in April 2023 and Jas Green Village Bang Bua Thong in February 2024 with a total capacity of 290 beds. The current occupancy rate is around 30%. We remain hopeful that this business will help generate additional cash flows for J-Asset in the future.

Funding and liquidity remain manageable

We expect JMART's funding and liquidity to be manageable over the next 12 months. On a consolidated basis, the company's primary sources of funds include expected funds from operations (FFO) of THB5.5 billion in 2024 and available cash and equivalents of around THB4.7 billion as of the end of 2023. The company also had unused short-term credit lines of around THB1.3 billion at the end of 2023. These funding sources should be sufficient to support the company's business operations and expansion plans. Further increase in credit lines from financial institutions would help support liquidity needs in times of tightened market conditions, which could lead to heightened liquidity risk. Its primary uses of funds based on our assumptions include annual capital expenditure of around THB1.0-THB1.5 billion and distressed asset acquisitions by JMT of about THB5-THB7 billion per year.

The company is likely to have ample liquidity over the next 12 months to support the repayment of its maturing debentures of THB2.5 billion due in November 2024, and JMT's maturing debentures of THB1.6 billion due in September and November 2024.

As of December 2023, JMART's debt consisted of THB14.8 billion of priority debt out of total interest-bearing debt of THB24.8 billion. The priority debt to total debt ratio was 60%, suggesting that JMART's unsecured creditors are significantly disadvantaged to the priority debt holders with respect to claims against the company's assets.

BASE-CASE ASSUMPTIONS

TRIS Rating makes the following assumptions for the operations of JMART over the next three years (2024-2026):

- Revenues to range from THB15-THB17 billion per annum.
- Gross margin in the debt collection segment to be in the mid 70% range, a low- to mid-teen percentage in the mobile handset trading segment, and 60% in the property segment.
- Capital expenditure and investments of around THB1.0-THB1.5 billion per annum.
- Debt-funded distressed asset acquisitions by JMT are estimated at THB5-THB7 billion per annum.

RATING OUTLOOK

The "negative" outlook is based on our expectation that JMART's financial leverage, measured by net debt to adjusted EBITDA, is likely to remain high and trend upward in the next few years.

RATING SENSITIVITIES

A rating downgrade could arise following significant deterioration in JMART's operating performance and/or from aggressive debt-funded investments that lead to the net debt to adjusted EBITDA ratio rising significantly from its current level.

The outlook could be revised back to "stable" if JMART can improve its financial performance while maintaining its financial leverage at the current level.

COMPANY OVERVIEW

JMART was established by Mr. Adisak Sukumvitaya in 1988 as a trading company, trading electrical home appliances. In 1992, the company added mobile phone handsets to its product line and the devices soon became its core product line. JMART was listed on the Stock Exchange of Thailand (SET) in 2009. As of 31 December 2023, Mr. Adisak and his family owned 30.7% of JMART's outstanding shares. Currently, JMART's major lines of business include mobile phone handsets and information technology (IT) product trading, debt collection and management, retail space rental, as well as leasing and consumer lending.

In 2015, JMART acquired 24.9% of SINGER, from Singer (Thailand) B.V. JMART aimed to leverage SINGER's sales and distribution channels to boost the sales volume of mobile handsets and personal loans. JMART currently owns 25.2% of SINGER.

In 2016, JMART was reorganized. JMB was established as a wholly-owned subsidiary to take over sales of JMART's mobile phones, accessories, and IT products. JMART became a holding company investing mainly in retailing and consumer finance.

JMB sells its products, including mobile phones, gadgets, and other IT-related accessories, through 199 shops nationwide including "Jaymart" and "Jaymart IoT" shops as well as shops under major authorized brand names and in partnership with Advanced Info Services PLC (AIS), a leading SIM and fibre optic distributor in Thailand. JMT handles the debt collection and management business. JMART owns 53.9% of JMT. The retail space rental segment is operated by J-Asset. JMART holds 66.1% of J-Asset. The leasing and consumer lending business is operated by associated company, KB J Capital. The consumer lending business mostly involves the extension of long-term instalment loans and personal loans to customers who purchase mobile phones from JMB.

In January 2017, JMART set up a new subsidiary, J Ventures Co., Ltd. (JVC), to develop software for the group and invest in financial technology startups. JVC is in the process of developing a "decentralized digital lending platform" (DDL) for J Fintech Co., Ltd. (J-Fintech) using blockchain technology. One objective of the new platform is to aid J-Fintech as it makes the transition from a conventional lending business to digital lending. In the future, JVC will develop software for other companies within the JMART Group. In the first quarter of 2018, JVC made an initial coin offering (ICO) of digital tokens called "JFin Coins" to raise funds for software development. JVC raised THB496 million from the ICO.

In December 2021, VGI Co., Ltd. and U City PLC (members of BTS Group) acquired a stake in JMART and its affiliate company, SINGER. At the time, VGI and U City acquired 15% and 9.9% stakes in JMART, respectively, while U City acquired a 24.9% stake in SINGER.

In 2022, J asset management (JAM), a wholly-owned subsidiary of JMT, together with Kasikorn Bank PLC (KBANK) established a joint venture called JK AMC. JK AMC was set up to support the management of bad debts of KBANK using the expertise of JMT to manage the bad debts. As of December 2023, JK AMC had a total paid-up capital of THB10 billion. In December 2022, JMART acquired 30% stake in BNN, a retail hotspot buffet restaurant called "Suki Teenoi", with an investment of THB1.2 billion .

Table 1: Business Line of JMART Group

Title	Company Name	Paid-up Capital (Mil. THB)	Shareholding (%)	Type of Business
JMART Group				
JMART	Jaymart Group Holdings PLC	1,457.3		Holding company investing in retail and finance business
JMB	Jaymart Mobile Co., Ltd.	630.0	99.9	Retailer and wholesaler of mobile phones, accessories, and IT-related products.
JMT	JMT Network Services PLC	729.9	53.8	Debt tracking and collection service business and non-performing debt management business
J	JAS Asset PLC	1,140.4	66.7	Engaged in property development and provision of spaces tailored for mobile phone and IT rental businesses.
JVCJVC	J Ventures Co., Ltd.	120.0	66.7	Software development, blockchain technology development and investing in startup business
BB	Beans and Brown Co., Ltd.	168.0	96.2	Food and beverage business
J Elite	J ELITE Co., Ltd.	21.0	99.9	Centralized point system and customer relation management business
Subsidiaries that JMART holds indirectly via JMT:				
Jaymart Insurance Broker	Jaymart Insurance Broker Co., Ltd.	20.0	99.9	Insurance broker business
Jaymart Insurance	Jaymart Insurance PLC	955.2	73.0	Non-life insurance business
JAM	J Asset Management Co., Ltd.	2,000.0	90.1	Distressed debt management and asset management company
True Valuation	True Valuation Co., Ltd.	9.4	65	Asset valuation services
KT	KT Appraisal Co., Ltd.	5.0	55	Asset valuation services
Associated companies:				
SINGER	Singer Thailand PLC	828.9	25.6	Sales and hire-purchases of home appliance, commercial appliance, and car title loan business
KB J Capital	KB J Capital Co., Ltd.	2,412.9	21.8*	Personal loan business under BOT license
JGS	JGS Synergy Power Co., Ltd.	100	40.1	Sales and distribution of solar roof top
BNN	BNN Restaurant Group Co., Ltd.	117.6	30.0	Restaurant business
AVANTIS	Avantis Laboratory (Thailand) Co., Ltd.	10	41.9**	Develop financial technology platform
JK AMC	JK Asset Management Co., Ltd	10,000	50***	Distressed debt management and asset management company

* Direct and indirect ownership (JMART holds 20.8% and JMT holds 1.81%.)

** Direct and indirect ownership (JMART holds 31.81% and J Ventures holds 15.15%.)

*** JK AMC is a special joint venture between JAM and K Investure.

Source: JMART

FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS*

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Total operating revenues	14,341	14,658	12,316	11,696	11,835
Earnings before interest and taxes (EBIT)	3,148	3,235	3,987	2,232	1,557
Earnings before interest, taxes, depreciation, and amortization (EBITDA)**	6,387	5,818	4,616	3,860	3,519
Funds from operations (FFO)**	4,853	4,788	3,670	3,009	2,699
Adjusted interest expense	1,111	725	702	635	626
Capital expenditures	1,300	939	653	502	294
Total assets	62,240	55,401	45,278	25,901	20,373
Adjusted debt**	23,227	14,299	5,386	14,938	13,493
Adjusted equity	32,728	30,781	26,823	6,766	5,232
Adjusted Ratios					
EBITDA margin*** (%)	29.91	25.64	25.29	22.76	19.76
Pretax return on permanent capital (%)	5.48	6.67	11.97	10.28	8.18
EBITDA interest coverage (times)	5.75	8.03	6.58	6.07	5.62
Debt to EBITDA (times)	3.64	2.63	1.19	3.83	3.85
FFO to debt (%)	20.89	31.23	68.14	20.14	20.00
Debt to capitalization (%)	41.51	33.24	16.72	68.83	72.06

* Consolidated financial statements

** Including share profit and debts of JK AMC and investment portfolio amortization

*** Excluding investment portfolio amortization

RELATED CRITERIA

- Group Rating Methodology, 7 September 2022
- Corporate Rating Methodology, 15 July 2022
- Key Financial Ratios and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021

Jaymart Group Holdings PLC (JMART)

Company Rating:	BBB+
Issue Ratings:	
JMART249A: THB2,500 million senior unsecured debentures due 2024	BBB
JMART250A: THB2,387.2 million senior unsecured debentures due 2025	BBB
JMART265A: THB1,479.7 million senior unsecured debentures due 2026	BBB
JMART260A: THB1,612.8 million senior unsecured debentures due 2026	BBB
Rating Outlook:	Negative

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