

# JMT NETWORK SERVICES PLC

No. 103/2021  
30 June 2021

## FINANCIAL INSTITUTIONS

**Company Rating:** BBB  
**Outlook:** Stable

**Last Review Date:** 30/06/20

### Company Rating History:

Date	Rating	Outlook/Alert
18/03/16	BBB	Stable

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## RATIONALE

TRIS Rating affirms the company rating on JMT Network Services PLC (JMT) at “BBB” with a “stable” outlook. The rating mainly reflects JMT’s status as a core subsidiary of Jaymart PLC (JMART) (rated “BBB/Stable” by TRIS Rating). According to TRIS Rating’s “Group Rating Methodology”, the company rating on JMT is equivalent to the company rating on JMART.

## KEY RATING CONSIDERATIONS

### A core subsidiary of JMART Group

TRIS Rating views JMT as a core subsidiary of the JMART Group. The company plays a vital role in the group’s financial business, which has been the backbone of the group’s diversified operations. The management team and board members of JMT and JMART are closely linked. Its business direction and financial targets are influenced by JMART through the board of directors. By leveraging JMART Group’s client base, JMT has been able to expand its services and client base rapidly in recent years. Although there are no available credit lines provided directly to JMT from JMART, funding support could come from capital injection via JMART’s exercise of JMT’s warrants. We also view that JMT is closely linked to JMART’s reputation due to the shared brand name.

### Significant net income contribution to the group

JMT is the largest profit contributor among entities within the JMART Group, substantiating its status as a core entity. The company consistently delivers satisfactory operating results. In 2020, the company’s total revenue and net income accounted for 27% and 80% of JMART’s consolidated total revenue and net income, respectively. We expect JMT’s earnings to remain strong thanks to the continuous expansion of its lucrative distressed asset management business. For the year 2020, the company’s earnings before interest, taxes, depreciation and amortization (EBITDA) margin was 51.1%, an improvement from 44.8% in 2019. The improvement came from an increased proportion of the fully amortized portfolios, which allow JMT to recognize total cash collection as revenue.

### Strong franchise in unsecured distressed asset management

JMT continues to maintain a solid market position in unsecured distressed asset management (DAM), underpinned by a database of over 20 years, which helps sustain business growth and operational efficiency. The company ranked as one of the largest non-financial institution in unsecured DAM. In 2020, JMT had an outstanding claim balance of distressed assets of THB207.1 billion, of which THB43.3 billion were fully amortized. In 2020, the company spent around THB3.5 billion for distressed debt acquisitions. In 2021, the company has budgeted THB6 billion for distressed debt acquisitions. In the first quarter of 2021, it had already spent THB1.8 billion on newly acquired distressed assets. In recent years, JMT has expanded into secured distressed asset management. Although the proportion of secured debts has increased, it remains small compared with overall assets. We expect the company to maintain its focus on unsecured DAM, where its expertise lies.

### Synergy and support for group finance business

Debt collection services are another area of strength for JMT. JMT’s major clients include financial institutions (FIs), mobile phone operators, consumer

lenders, and other corporates. The outstanding principal balance under the service has remained above THB30 billion for the past few years. JMT’s commission revenue from debt collections accounted for about 11% of total revenue in 2020. Debt collection revenue for the year was THB362 million while revenue for the first quarter of 2021 was THB92 million.

In addition to its own business operations, JMT has demonstrated increased synergy with other companies in the JMART Group by providing debt collection services to lending entities in the group, including Jaymart Mobile Co., Ltd. (J-Mobile), SINGER Thailand PLC (SINGER, rated “BBB-/Stable” by TRIS Rating) as well as KB J Capital Co., Ltd. (KB J Capital, formerly known as J-Fintech Co., Ltd.) and J Ventures Co., Ltd. (J-Ventures). In 2020, JMT also collaborated with JAS Asset PLC (J-Asset), a property-related subsidiary of JMART, where J-Asset helps with renovation and disposals of JMT’s non-performing assets.

**BASE-CASE ASSUMPTIONS**

TRIS Rating’s base-case assumption is that JMT will remain a core subsidiary of the JMART Group.

**RATING OUTLOOK**

The “stable” outlook reflects our expectation that JMT will maintain its status as a core subsidiary of the JMART Group and continue its debt collection functions as an integral part of the overall group’s strategy.

**RATING SENSITIVITIES**

The rating and/or outlook on JMT moves in tandem with the rating and/or outlook on JMART. Weakening of JMT’s status to JMART could also result in a rating change.

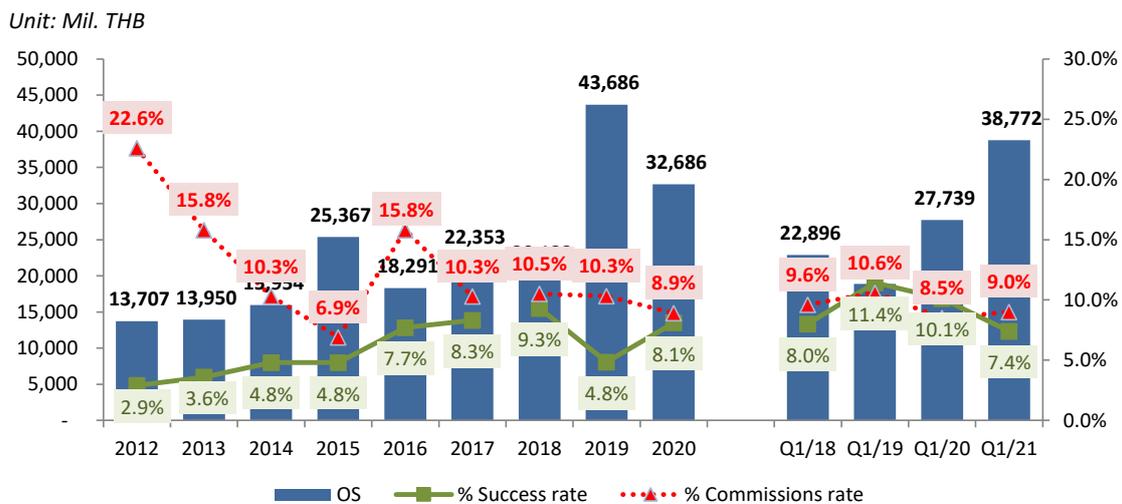
**COMPANY OVERVIEW**

JMT was established by JMART in 1994 with registered capital of THB5 million. In 2014, JMT was listed on the Stock Exchange of Thailand (SET). JMART is the major shareholder, holding 54.2% of the company’s outstanding shares as of March 2020. The company was initially an outsourcing firm, tracking and collecting debts. Later, the company expanded into the management of distressed debts. The company provides insurance brokerage through JAYMART Insurance Broker Co., Ltd. (JIB), a wholly-owned subsidiary. Currently, JMT is Thailand’s leading investor and manager of unsecured distressed loans disposed by FIs. It is also a major provider of debt collection services for various corporates and FIs.

In the first quarter of 2018, JMT made an investment acquisition in Phoenix Insurance (Thailand) PLC (Phoenix), engaged in non-life insurance in Thailand. On 27 April 2018, Phoenix registered with the Ministry of Commerce to change its name from Phoenix Insurance (Thailand) PLC to JP Insurance PLC. The revenue contribution to JMT from premium income of the insurance business remains modest.

**KEY OPERATING PERFORMANCE**

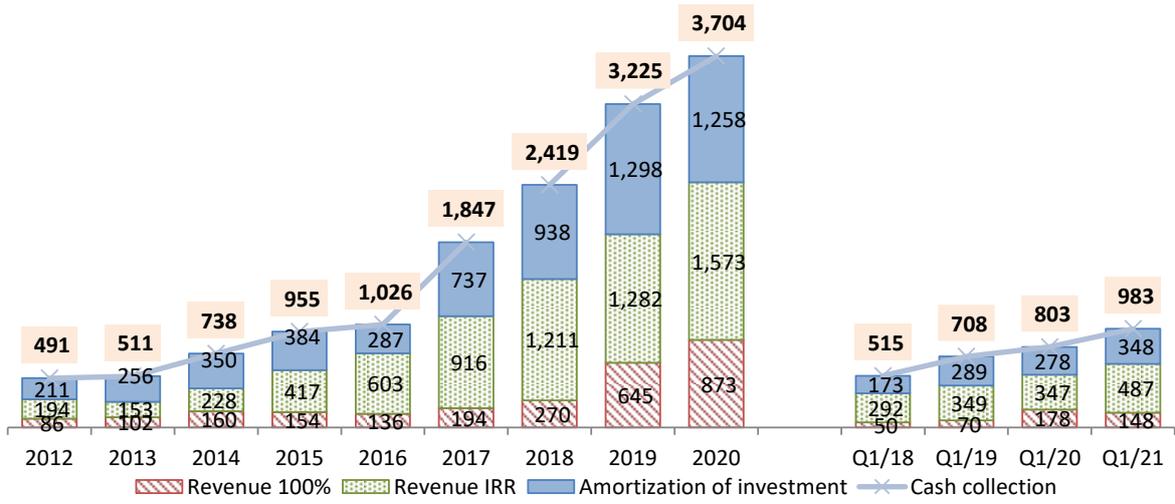
**Chart 1: Debt Collection Performance**



Source: JMT

**Chart 2: Debt Acquisition Performance**

Unit: Mil. THB



Source: JMT

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	Jan-Mar 2021 ***	-----Year Ended 31 December -----			
		2020	2019	2018	2017
Total operating revenues	815	3,206	2,535	1,890	1,362
Earnings before interest and taxes (EBIT)	423	1,530	1,038	810	579
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	800	2,838	2,316	1,787	1,373
Funds from operations (FFO)	656	2,350	1,913	1,463	1,190
Adjusted interest expense	79	314	213	139	80
Capital expenditures	16	155	80	128	72
Total assets	16,229	14,270	10,142	8,363	5,248
Adjusted debt	4,818	5,477	5,429	3,340	2,360
Adjusted equity	7,833	5,755	3,433	3,467	2,325
<b>Adjusted Ratios</b>					
EBITDA margin (%)	55.5	51.1	44.8	46.5	46.7
Pretax return on permanent capital (%)	12.48	13.63	12.27	12.69	12.82
EBITDA interest coverage** (times)	10.18	9.04	10.85	12.88	17.20
Debt to EBITDA** (times)	1.61	1.93	2.34	1.87	1.72
FFO to debt** (%)	51.51	42.91	35.23	43.81	50.14
Debt to capitalization (%)	38.08	48.76	61.26	49.06	50.38

Note: All financial ratios were adjusted by operating lease.

\* Consolidated financial statements

\*\* Including investment portfolio amortization

\*\*\* Annualized

## RELATED CRITERIA

- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

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**JMT Network Services PLC (JMT)**

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<b>Company Rating:</b>	BBB
<b>Rating Outlook:</b>	Stable

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**TRIS Rating Co., Ltd.**

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