

# JMT NETWORK SERVICES PLC

No. 27/2024  
15 March 2024

## FINANCIAL INSTITUTIONS

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
Senior unsecured	BBB+
<b>Outlook:</b>	Negative

**Last Review Date:** 19/09/23

### 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 and the ratings on the senior unsecured debentures of JMT Network Services PLC (JMT) at “BBB+”. At the same time, we revise the rating outlook to “negative” from “stable”. The change in outlook follows that of Jaymart PLC (JMART, rated “BBB+/Negative”). The ratings mainly reflect the company’s status as a core subsidiary of JMART. The company rating and outlook on JMT is equivalent to the company rating on JMART, according to TRIS Rating’s “Group Rating Methodology”.

## KEY RATING CONSIDERATIONS

### A core subsidiary of JMART Group

TRIS Rating assesses JMT as a core subsidiary of the JMART Group. At the end of 2023, JMART held a controlling stake of 53.9% in JMT, maintaining its position as the largest shareholder. Half of the board members are JMART Group representatives, fostering close ties with JMT’s management team.

JMART actively guides JMT’s business direction and financial targets through its board of directors. We continue to see a strong commitment of JMART to maintain its shareholding in JMT by participating in series of capital injection through warrant exercises and rights offerings. Furthermore, due to the shared brand name, JMT’s reputation is closely linked to that of JMART.

JMT provides debt collection services which are important and integral to the JMART Group’s strategy especially in the financial business. The company’s performance has been robust and, in our view, significantly bolsters the overall financial result of JMART. JMT’s continuous asset acquisitions also support JMART’s balance sheet expansion.

### Significant net income and asset contribution to the group

JMT continues to deliver robust operating performance as a key member of JMART Group. We believe JMT will remain a core earnings contributor to JMART Group given its investment budget and operational efficiency compared to other entities in the group. This helps solidify its status as a core entity.

The proportion of JMT’s total assets to JMART’s consolidated total assets had increased to 68.2% at the end of 2023, up from 43.0% at the end of 2018. Despite lower-than-expected performance in 2023, JMT still reported a net profit of THB2.1 billion, increasing 23.3% year-on-year (y-o-y).

Looking forward, we expect the company to serve as the main investment engine of JMART Group, solidifying its central role in terms of revenue and net profit contributor. This position is expected to remain, reinforcing our view that JMT is an important part of the group.

### Strong franchise in unsecured distressed asset management

JMT is the largest unsecured distressed asset management (DAM) company in Thailand. Its long experience and database of over 20 years are the company’s key strengths, which help sustain business growth and operational efficiency.

Over the past few years, its asset growth has been exponential, securing its status as one of the top DAMs in Thailand. In 2023, the company spent THB7.3 billion for secured and unsecured distressed asset acquisitions, up from THB4.6

billion in the previous year. This helped raised its market share in total assets to 15% in 2023 from 12.4% in 2022.

At the end of 2023, total assets stood at THB42.4 billion, an increase of 25.3% y-o-y. The outstanding claim balance totaled THB331.2 billion, up from THB261.4 billion in 2022. Including the assets of JK Asset Management Co., Ltd. (JK AMC), a joint venture between its subsidiary, J Asset Management (JAM), and Kasikornbank PLC (KBANK), its total market share was 23.4% in 2023.

### **Softened performance due to lower-than-expected cash collection**

JMT's operating performance fell below our expectation due to lower cash collection. In 2023 cash collection totaled THB5.8 billion, a 4% increase y-o-y but significantly lower than the growth rates of over 20% observed in 2021-2022. The decline was primarily attributed to the weak economic environment and rising interest rates, which adversely affected the debt serviceability of debtors already burdened with rising cost of living. Additionally, the impact of rising interest rates was particularly pronounced on secured non-performing loans (NPL) as banks adopted a more stringent approach in approving refinancing and mortgage loans, leading to fewer refinancing options and delayed non-performing asset (NPA) sales.

The difficulties in managing secured NPLs was the main reason for the shift in JMT's acquisition plan in 2023, with over 99% of acquisition costs being allocated to unsecured NPLs. With interest rates likely to remain high in 2024, we anticipate that JMT's primary focus will still be on unsecured assets. In the medium-term, with a gradual economic recovery and a declining interest rate trend, we expect JMT's cash collection and operating performance to improve.

### **Strong performance from AMC joint ventures**

JK AMC has reported decent operating performance since its inception in 2022. In 2023, JK AMC reported net profit of THB1.08 billion and a share of profit of THB538 million to JMT. At the end of 2023, JK AMC's outstanding investment in NPLs stood at THB21.3 billion, up 14% from THB18.7 billion in 2022. In terms of funding sources for NPL acquisitions, JMT and KBANK each provided THB4.9 billion of debt funding to JK AMC at the end of December 2023 on top of external debt funding of around THB2 billion. Looking forward, with the existing NPLs on hand, we believe the performance of JK AMC will enhance JMT's overall performance in the longer run.

### **Debt collection and insurance services**

JMT's debt collection and insurance services each contributed around 7% of the company's total revenue in 2023, compared with 86% from debt acquisition and management. The debt collection service is provided to a diverse clientele, encompassing commercial banks, non-bank lenders, mobile phone operators, and other corporate entities. JMT also provides the service to other lending businesses related to JMART Group, which helps foster group synergy.

In 2023, revenue from the debt collection business reached THB355 million, up 8.5% y-o-y. Looking ahead, we foresee a limited growth in the debt collection business, as the company focuses more on debt acquisition and management activities. Over the next three years, we anticipate revenue in the range of THB300-THB400 million.

The company's insurance business consists of both insurance coverage and brokerage. In 2023, JMT reported insurance revenue amounting to THB 315 million, up from THB295 million in 2022. In the short term, we anticipate a measured growth pace for this business as the primary focus in 2024 will revolve around the implementation of the new accounting standard, TFRS17.

### **BASE-CASE ASSUMPTIONS**

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

### **RATING OUTLOOK**

The "negative" outlook reflects the outlook of JMART.

### **RATING SENSITIVITIES**

The ratings and/or outlook on JMT move in tandem with the ratings and/or outlook on JMART.

### **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 53.9% of the company's outstanding shares as of December 2023. The company was initially an outsourcing firm, tracking and collecting debts. Later, it 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 of by financial institutions (FIs). It is also a major provider of debt collection services for various corporates and FIs.

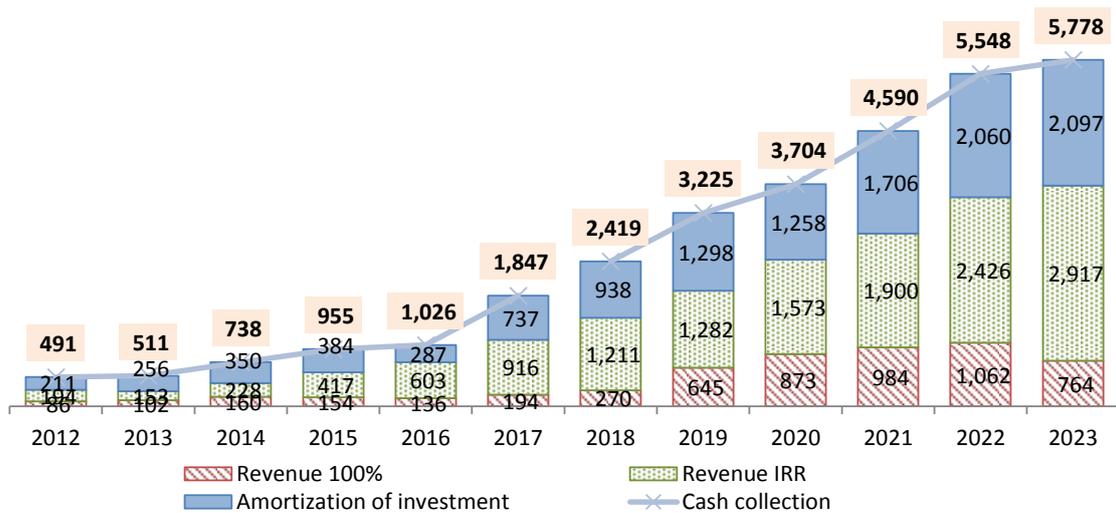
In the first quarter of 2018, JMT made an investment acquisition in Phoenix Insurance (Thailand) PLC (Phoenix), engaged in non-life insurance in Thailand. Phoenix registered with the Ministry of Commerce to change its name from Phoenix Insurance (Thailand) PLC to JP Insurance PLC and finally to Jaymart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

Following the Bank of Thailand’s (BOT) granting of licenses for joint ventures between asset management companies (JV-AMC) and financial institutions to support the management of NPLs in the system, KBANK and JMT established JK AMC in 2022. JK AMC started operations in the middle of 2022 with total paid-up capital of THB10 billion, which was equally contributed by both parties. Since its inception, JK AMC has acquired over THB100 billion worth of NPLs from KBANK.

**KEY OPERATING PERFORMANCE**

**Chart 1: Debt Acquisition Performance**

Unit: Mil. THB



Source: JMT

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS\*

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2023	2022	2021	2020	2019
Total operating revenues	5,157	4,453	3,650	3,206	2,535
Earnings before interest and taxes (EBIT)	3,411	2,257	1,959	1,530	1,038
Earnings before interest, taxes, depreciation, and amortization (EBITDA)**	5,128	4,373	3,585	2,838	2,316
Funds from operations (FFO)**	4,267	3,874	3,001	2,339	1,909
Adjusted interest expense	466	238	345	314	213
Capital expenditures	166	81	151	155	80
Total assets	42,444	33,862	28,036	14,270	10,142
Adjusted debt**	11,493	5,074	918	5,607	5,378
Adjusted equity	27,307	23,088	19,078	5,755	3,433
<b>Adjusted Ratios</b>					
EBITDA margin*** (%)	58.77	51.94	57.09	51.14	44.80
Pretax return on permanent capital (%)	9.07	7.53	9.76	13.52	12.27
EBITDA interest coverage (times)	10.99	15.45	10.39	9.04	10.85
Debt to EBITDA (times)	2.24	1.16	0.26	1.98	2.32
FFO to debt (%)	37.13	76.36	326.97	41.71	35.49
Debt to capitalization (%)	29.62	18.02	4.59	49.35	61.03

\* 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

**JMT Network Services PLC (JMT)**

<b>Company Rating:</b>	BBB+
<b>Issue Ratings:</b>	
JMT249A: THB625 million senior unsecured debentures due 2024	BBB+
JMT24NA: THB1,012.5 million senior unsecured debentures due 2024	BBB+
JMT254A: THB3,000 million senior unsecured debentures due 2025	BBB+
JMT250A: THB3,375 million senior unsecured debentures due 2025	BBB+
JMT266A: THB1,146.5 million senior unsecured debentures due 2026	BBB+
JMT26NA: THB443.8 million senior unsecured debentures due 2026	BBB+
<b>Rating Outlook:</b>	Negative

**TRIS Rating Co., Ltd.**

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