

JMT NETWORK SERVICES PLC

No. 99/2022
7 September 2022

FINANCIAL INSTITUTIONS

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

Last Review Date: 18/03/22

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 rating on senior unsecured debentures of JMT Network Services PLC (JMT) at “BBB+” with a “stable” rating outlook. At the same time, TRIS Rating assigns a “BBB+” rating to JMT’s proposed issue of up to THB4,000 million senior unsecured debentures due within three years. The company intends to use the proceeds from the proposed debenture issue to fund its business expansion.

The ratings mainly reflect JMT’s status as a core subsidiary of Jaymart PLC (JMART) (rated “BBB+/Stable” by TRIS Rating). The ratings assigned to JMT is equivalent to that assigned to JMART according to TRIS Rating’s “Group Rating Methodology”. The company plays a vital role in the group’s financial business, which has been the backbone of the group’s diversified operations. The company has been the largest profit contributor among entities within the JMART group. In the first half of 2022 (1H22), the company’s total revenues and net income accounted for 30.5% and 76.2% of JMART’s consolidated revenues and net income, respectively.

In 1H22, JMT’s continued to report strong performance. Net income grew to THB800 million in 1H22, up 39.9% year-on-year (y-o-y), thanks to healthy revenues and lower funding cost following the capital injection through rights offering (RO) in December 2021. Total revenue was THB1.6 billion, up 7% y-o-y, mainly by its debt acquisition and management business. The revenue mix included 87% from debt acquisition and management business, 7% from debt collection business, and 6% from insurance business. Revenues from debt collection business continue to slow down in 1H22 but we expect an improving trend following the end of the debt relief programs. In 1H22, the company’s cash collection was THB2.8 billion, increasing by 41.2% y-o-y, in line with our estimate.

The company’s distressed asset acquisition this year has been at a slower pace compared to 1H21, with non-performing loans (NPLs) acquired at the cost of THB1.1 billion in 1H22. We expect the company to accelerate distressed asset acquisition in 2H21 given our expectation that financial institutions will likely supply larger amount of NPLs into the market as their debt relief programs ended. However, we view JMT is unlikely to achieve its ambitious NPL acquisition target of THB10 billion in 2022.

JMT received fresh capital of around THB10 billion from the RO in December 2021, leading to a sharp fall in debt of equity (D/E) ratio following its debt repayment over the past two quarters. Its D/E ratio fell to 0.47 times at the end of 2021 from 1.33 times at the end of 3Q21 and fell further to 0.24 times at the end of 2Q22. We believe its D/E ratio has already bottomed out, and we expect it to rise gradually as its NPL acquisitions accelerate in 2H21. The joint venture (JV), JK Asset Management Co., Ltd. (JK), with Kasikorn Bank’s subsidiary, Kasikorn Vision Co. Ltd. was approved by Bank of Thailand (BOT) in June 2022. As of June 2022, the paid-up capital of JK was THB10 billion. Currently, JK has already acquired THB30 billion worth of NPLs from KBANK. The company is expected to be fully operational in 4Q22. As of June 2022, the company’s priority debt to total debt ratio was 0.04%.

CreditUpdate, reviews ratings of companies or debt issues that have already been rated by TRIS Rating. The CreditUpdate occurs when new debt instruments are issued or if significant events have taken place that may impact a company’s current ratings or when current ratings are cancelled. The CreditUpdate announces whether a rating has been “upgraded,” “downgraded,” “affirmed” or “cancelled.” The update includes information to supplement the previously published ratings.

Credit Updates are part of TRIS Rating’s monitoring process. TRIS Rating monitors every rating it assigns until either the debt instrument matures or the rating contract ends. To keep the public informed of changing situations, TRIS Rating periodically issues announcements about the credit ratings it monitors.

RATING OUTLOOK

The “stable” outlook reflects our expectation that JMT will maintain its status as a core subsidiary of the JMART Group and continue to collaborate with other entities within the JMART Group as an integral part of the overall group strategy.

RATING SENSITIVITIES

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

RELATED CRITERIA

- Corporate Rating Methodology , 15 July 2022
- Key Financial Ratio and Adjustments for Corporate Issuers, 11 January 2022
- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021

JMT Network Services PLC (JMT)

Company Rating:	BBB+
Issue Ratings:	
JMT239B: THB500 million senior unsecured debentures due 2023	BBB+
Up to THB4,000 million senior unsecured debentures due within 3 years	BBB+
Rating Outlook:	Stable

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