

JMT NETWORK SERVICES PLC

No. 52/2023
9 May 2023

FINANCIAL INSTITUTIONS

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

Last Review Date: 10/04/23

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 JMT Network Services PLC (JMT) and the rating on its senior unsecured debentures at “BBB+” with a “stable” outlook. At the same time, TRIS Rating assigns a “BBB+” rating to JMT’s proposed issue of up to THB7 billion senior unsecured debentures due within three years. The company intends to use the proceeds from the new debentures for business expansion, working capital, and lending to JK Asset Management Co., Ltd. (JK AMC).

The ratings mainly reflect the company’s status as a core subsidiary of Jaymart PLC (JMART, rated “BBB+/stable”). The company rating on JMT is equivalent to the company rating on JMART, according to TRIS Rating’s “Group Rating Methodology”. JMT plays a vital role in the JMART Group especially in the financial business. The company serves as a backbone that has helped underpin performance of other finance businesses in the group for the last few years.

In 2022, the company’s total revenue and net income contributed around 30% and 64% of JMART’s consolidated total revenue and net income, respectively. Over the past five years, JMT’s contribution to JMART’s consolidated assets has roughly doubled to 61% from 32% in 2017. This reinforces our view that JMT is an important member of the group.

In 2022, JMT continued to report strong performance. Net income grew to THB1.7 billion, up 21.9% 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 THB4.5 billion, up 22% y-o-y, mainly from its debt acquisition and management business. The revenue mix included 86% from debt acquisition and management business, 7% from debt collection, and 7% from non-life insurance. The company’s cash collection was THB5.6 billion, increasing by 20.9% y-o-y, in line with our forecast.

The company’s distressed asset acquisition in 2022 appeared to slow down compared to 2021, with non-performing loans (NPLs) acquired at the cost of THB4.6 billion in 2022. Looking ahead, we anticipate the supply of NPLs to continue to rise, driven by the expiration of debt relief measures that allow relaxation of bank loan classification until the end of 2023. As a result, commercial banks are likely to dispose NPLs more rapidly in the second half of 2023 and 2024, which should support JMT’s asset acquisition plan.

JMT and Kasikornbank PLC (KBANK) jointly established JK AMC in 2022. JK AMC started its operation 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 THB70 billion worth of NPLs from KBANK, and the financial performance has exceeded our expectation. In 2022, JK AMC already reported the contribution of net profit of THB196 million and share of profit of THB98 million to JMT. In 2023, we estimate JK AMC will have NPLs under management of over THB100 billion and contribute share of profit of over THB200 million to JMT.

JMT’s debt to equity (D/E) ratio remains low, following debt repayment post capital injection at the end of 2021. Its D/E ratio was 0.41 times at the end of 2022. The ratio rose in the last two quarters, and we believe it will continue to rise given the company’s target NPL acquisitions of THB10 billion per year.

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.

Nonetheless, we expect the leverage level to be manageable and remain appropriate for the current ratings. As of December 2022, JMT’s priority debt was 0.02%

RATING OUTLOOK

The “stable” outlook reflects our expectation that JMT will maintain its group 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. A weakening of JMT’s group status to JMART could also result in a rating downgrade.

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)

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|---|--------|
| Company Rating: | BBB+ |
| Issue Ratings: | |
| JMT239B: THB500 million senior unsecured debentures due 2023 | BBB+ |
| JMT249A: THB625 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+ |
| Up to THB7,000 million senior unsecured debentures due within 3 years | BBB+ |
| Rating Outlook: | Stable |

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