

JAYMART PLC

No. 76/2021
22 September 2021

CORPORATES

Company Rating:	BBB
Issue Rating:	BBB-
Senior unsecured	BBB-
Outlook:	Positive

Last Review Date: 30/06/21

Company Rating History:

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

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RATIONALE

TRIS Rating affirms the company rating on Jaymart PLC (JMART) at “BBB” and affirms the company’s issue ratings of outstanding senior unsecured debentures at “BBB-”. The rating outlook is revised to “positive” from “stable” following the announcement on 27 August 2021 regarding the intention of VGI PLC (VGI) and U City PLC (U City) to invest in JMART and its associate company, Singer Thailand PLC (SINGER). The transactions, if approved by JMART’s shareholders in November 2021, would subsequently lead to capital injections into JMART and SINGER by end of 2021. TRIS Rating expects the capital injection to drastically strengthen capital and enhance profitability of JMART group in the medium term.

We expect to upgrade JMART’s company rating and issue ratings after the capital injections are fully completed.

The investment transactions will involve the following capital injections:

- JMART is to receive total capital injection of THB10.39 billion, comprising
 - THB6.26 billion from VGI for a 15% stake, and
 - THB4.13 billion from U City for a 9.9% stake.
- SINGER is to receive total capital injection of THB10.65 billion, comprising
 - THB7.16 billion from U City for a 24.9% stake,
 - THB1.23 billion from JMART’s subscription to SINGER’s rights offering (RO), which will reduce its shareholding in SINGER to 26.5% from 35.2%, and
 - THB2.26 billion from existing shareholders’ subscription of RO (assuming full subscription).
- JMT Network Services PLC (JMT) is to receive total capital injection of THB10 billion from its rights offering, comprising
 - THB5.38 billion from JMART to maintain a 54% stake, and
 - THB4.62 billion from existing shareholders (assuming full subscription).

The rating outlook revision to “positive” reflects our expectation of JMART’s substantially strengthened capital position. We expect JMART to utilize the fresh capital to fund its businesses over the next one to two years. However, based on the company’s ambitious growth targets, we estimate the company to resume its debt funding in 2023. In the short to medium term, we expect improvement in the group’s profitability from: 1) interest expense saving from lower requirement of debt funding; 2) JMT’s increasing distressed debt acquisitions; and 3) SINGER’s loan portfolio expansion. In longer term, there could be benefits from the potential synergies with BTS group, although this is yet to be proven.

The company rating continues to reflect JMART’s strong performance, driven by the acquisition and management of distressed debts and the competitive operations of its core subsidiary, JMT, as well as JMART’s relatively strong position in the mobile phone handset trading business. The ratings also take into consideration the intense competition in the mobile handset market, the company’s high leverage, and the risks associated with its retail lending and property business.

The issue rating is notched down from the company rating due to the structural subordination or the lower priority of claims of JMART’s debt obligations compared with claims against its operating subsidiaries.

JMART’s operating results for the first half of 2021 (1H2021) remained solid and in line with our expectation. The company reported net income of THB807 million for 1H2021, increasing by 75% from 1H2020. The healthy performance was attributed mainly to the healthy operating performance of JMT which reported net income of THB567 million. The strong turnaround in SINGER’s performance has also helped support JMART’s operating result. The share of profits from SINGER increased to THB106.6 million in 1H2021 from THB61.8 million in 1H2020.

RATING OUTLOOK

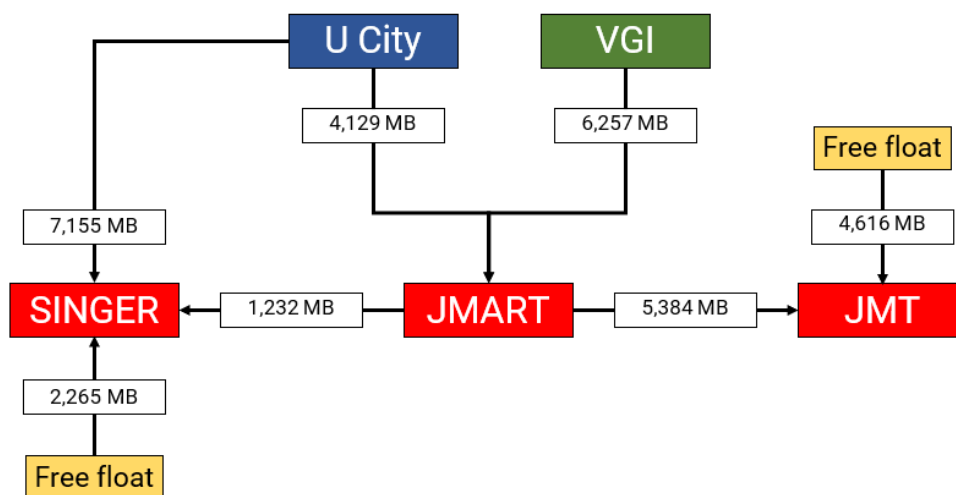
The “positive” outlook is based on our expectation that the capital injections will substantially strengthen JMART’s capital position and improve profitability.

RATING SENSITIVITIES

We expect to upgrade the company rating and the issue ratings once the contemplated capital injections are fully completed, otherwise the ratings will be maintained while the outlook would be revised back to “stable”. Downward revisions of ratings and/or outlook could come from significant deteriorations in both JMART’s or its subsidiaries’ operating performances or from aggressive investment which pushes the ratio of debt to adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA) over 5 times on a sustained basis.

SUMMARY OF DEAL TRANSACTIONS

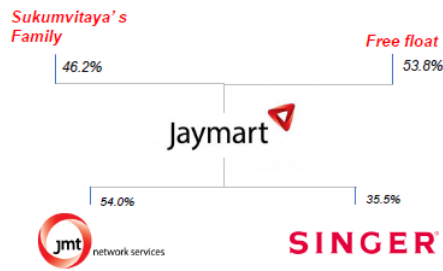
Chart 1: JMART group and BTS group Transactions



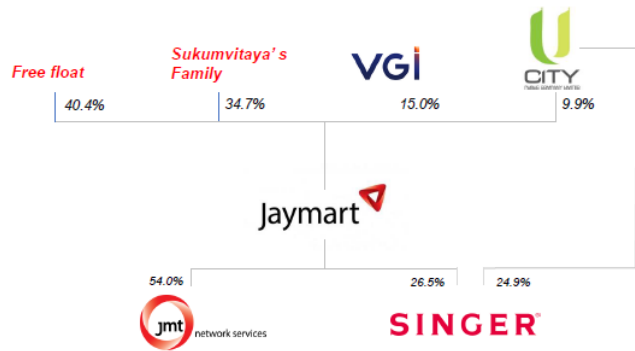
Note: MB = million THB
Source: JMART

Chart 2: Shareholding Structure

Pre-transaction



Post-transaction



The transaction is subject to shareholders approval

Source: JMART

RELATED CRITERIA

- Issue Rating Criteria, 15 June 2021
- Group Rating Methodology, 13 January 2021
- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

Jaymart PLC (JMART)

Company Rating:	BBB
Issue Ratings:	
JMART239A: THB1,000 million senior unsecured debentures due 2023	BBB-
JMART249A: THB2,500 million senior unsecured debentures due 2024	BBB-
Rating Outlook:	Positive

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