

# JMT NETWORK SERVICES PLC

No. 79/2024  
9 September 2024

## FINANCIAL INSTITUTIONS

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

Last Review Date: 15/03/24

### Company Rating History:

Date	Rating	Outlook/Alert
15/03/24	BBB+	Negative
18/03/22	BBB+	Stable
22/09/21	BBB	Positive
18/03/16	BBB	Stable

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## RATIONALE

TRIS Rating assigns a rating of “BBB+” to JMT Network Services PLC (JMT) proposed issue of up to THB4 billion senior unsecured debentures maturing within four years. The company intends to use the proceeds from the new debentures for business expansion, working capital, and debt repayment.

At the same time, TRIS Rating affirms the company rating on JMT and its outstanding senior unsecured debentures ratings at “BBB+”. We also maintain “negative” rating outlook, consistent with the outlook on its parent, Jaymart Group Holdings PLC (JMART, rated “BBB+/Negative”). The JMT’s rating outlook hinges on JMART’s rating outlook, which could be revised back to “stable” if JMART can improve its financial performance while maintaining its financial leverage at the current level.

The ratings on JMT is equivalent to the company rating on JMART, mainly reflecting the company’s status as a core subsidiary of 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.

In the first half of 2024 (1H24), JMT’s financial performance was below our expectation. Net income declined to THB792 million, down 23.2% year-on-year (y-o-y), attributed to lower cash collection. The company’s cash collection was THB2.8 billion, down by 5.8% y-o-y and below our forecast, effected by lower debt serviceability of debtors as the economy remains weak. The weaker cash collections led to higher expected credit losses (ECL), which eroded the company’s operating performance in 1H24. Looking ahead, the company expects an improvement in cash collection in 2H24 as the company intensifies its litigation effort, evidenced by the increased litigation expenses in 1H24.

Nonetheless, its total revenue improved by 11% y-o-y to THB2.7 billion, supported by its debt acquisition and management business. The revenue mix comprised 89% from debt acquisition and management, 6% from debt collection, and 5% from the non-life insurance business.

In 1H24, the company acquired non-performing loans (NPLs) at a cost of THB535 million, down significantly from THB7.3 billion in 2023 as backlog accumulated over the past three years remains high. Moreover, the company has shifted its focus to improving cash collections for existing portfolio. Looking ahead, we expect acquisitions in 2H24 to remain relatively subdued.

The JMART group’s consolidated financial performance largely mirrors that of JMT, as evidenced by the impact of JMT’s weaker cash collection on JMART’s EBITDA. For 1H24, JMART’s adjusted EBITDA fell by 13% y-o-y to THB2.9 billion. Given relatively stable debt level, its adjusted net debt to EBITDA rose slightly to 3.9 times from 3.7 times at the end of 2023.

We anticipate ongoing weakness in JMT’s cash collections, which could pressure JMART’s EBITDA and lead to higher financial leverage and potentially constrain the ratings of both JMART and JMT. Note that the measures taken, such as litigation, could improve cash collection in 2H24, but the persistent economic weakness remains a key challenge to the recovery.

## 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.

## 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+
Up to THB4,000 million senior unsecured debentures due within 4 years	BBB+
<b>Rating Outlook:</b>	Negative

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