

JMT NETWORK SERVICES PLC

No. 107/2023
19 September 2023

FINANCIAL INSTITUTIONS

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

Last Review Date: 09/05/23

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 ratings on its existing 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 THB3 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 debt repayment.

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 the first half of 2023 (1H23), JMT’s financial performance remains in line with our expectation. Net income grew to THB1 billion, up 38.7% year-on-year (y-o-y), thanks to healthy cash collection and share of profit from JK Asset Management Co., Ltd. (JK AMC). The company’s total revenue was THB2.7 billion, up 23% y-o-y, mainly from its debt acquisition and management business. The revenue mix included 86% from debt acquisition and management business, 8% from debt collection, and 6% from non-life insurance business. The company’s cash collection was THB2.9 billion, increasing by 5% y-o-y, although this is still below our forecast.

The company’s distressed asset acquisition in 1H23 accelerated in line with increased supply of non-performing loans (NPLs) being placed for auction in the market compared with 2022. The company acquired NPLs at the cost of THB4.1 billion in 1H23 compared with THB4.6 billion in 2022. Looking ahead, we anticipate a rising trend of NPL supply to continue being driven by the expiration of debt relief measures that allow relaxation of bank loan classification until the end of 2023. Consequently, commercial banks are expected to expedite the disposal of NPLs in 2H23 and 2024. This should bode well for JMT’s asset acquisition plan.

As for JK AMC, a joint venture established in 2022 by JMT and Kasikornbank PLC (KBANK), the company currently has already acquired over THB100 billion worth of NPLs from KBANK. In 1H23, JK AMC reported a net profit contribution of THB526 million and share of profit of THB263 million to JMT. As of 1H23, JMT has provided THB4.6 billion loans to JK AMC.

The group’s consolidated financial performance largely reflects that of JMT. For 1H23, JMT’s high NPL acquisitions and the need to provide financing to JK AMC resulted in JMART’s net debt to earnings before interest, taxes, depreciation, and amortization (EBITDA) to rise to 3.4 times from 2.5 times at the end of 2022.

JMART’s group credit profile hinges on the group’s ability to strengthen EBITDA to maintain the net debt to EBITDA ratio below 3.5 times. If the leverage continues to escalate without a commensurate growth in EBITDA, there is a risk that the credit rating could be under pressure. As of June 2023, JMT’s priority debt was 2.6%

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 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)

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+
JMT266A: THB1,146.5 million senior unsecured debentures due 2026	BBB+
Up to THB3,000 million senior unsecured debentures due within 3 years	BBB+
Rating Outlook:	Stable

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