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Ref: IR61/002

22 February 2018

Re: Management Discussion and Analysis for Yearly Ending 2017

To: President

The Stock Exchange of Thailand

Pursuant to JMT Network Services Company Limited (the “Company”) Board of Meeting No.1/2018 on 22 February 2018, the resolution to certify the Company’s financial statements and performance for the yearly ending 31 December 2017 which has already been audited by the Company’s auditor can be summarized as follows:

#### **Overview of 2017 Business and Key Factors impact on the Company’s performance**

Overall of Non-Performing Loan situation in Thai financial system still support the Company’s business to grow in the future. Data from Bank of Thailand showed that Gross NPL at the end of 2017 was 429 Billion Baht higher than 43.4 Billion Baht from last year.

In 2017, the Company achieved a remarkably success in distress debt management business. The Company achieved its record high in cash collection at 1,847 million Baht. Thanks to distress the quality of debt acquired and efficient of collection team, the Company’s financial performance in 2017 reached to its highest in corporate history with net profit of 396.1 million Baht, increased at 36.4% from the previous year.

The Company operation target in 2017 for bad debt acquisition was not reached the target. Last year the Company acquired 16,271 billion baht as compare to target 30,000 million Baht. However, the key criteria to acquire non-performing loan to manage is based on the yield of each portfolio in enhance a better return for the shareholders.

Furthermore, with the strategy to expand the business toward CLMV market, the Company has already inaugurated a subsidiary in Cambodia, JMT (Cambodia) Co., Ltd in Q2/2017. The subsidiary engages debt collection business which already provides services since 3/2017.

#### **Key Statistic for Business Operation**

The Company key business operation in 2015 - 2017 is depicted below;

	2015	2016	2017
<b>Distress Debt Management Operation Statistic</b>			
No. of Distress Debt under management	87	100	119
Value of NPL under management	88,683	108,283	124,554
No. of Bad Debt that fully amortized cost of purchasing	34	36	40

### Summary of Profit and Loss Statement

	2016		2017		Change	
	MB	%	MB	%	MB	%
Total Revenues	1,063.7	100.0%	1,356.3	100.0%	292.6	27.5%
Cost of Services	377.9	35.5%	574.4	42.4%	196.5	52.0%
Gross Profit	685.9	64.5%	781.9	57.6%	96.0	14.0%
Other Revenues	8.6	0.8%	5.4	0.4%	-3.2	-36.8%
Gain from Shareholding Proportion Change in Subsidiaries to Long term investment	143.9	13.5%	0.0	0.0%	-143.9	-100.0%
Administrative Expenses	416.9	39.2%	211.0	15.6%	-205.9	-49.4%
Operating Profit	421.5	39.6%	567.3	41.8%	145.8	34.6%
Finance Cost	84.6	8.0%	76.9	5.7%	-7.7	-9.1%
<b>Net Profit</b>	<b>290.4</b>	<b>27.3%</b>	<b>396.1</b>	<b>29.2%</b>	<b>105.7</b>	<b>36.4%</b>

### Revenues Analysis

In 2017, the Company's Total Revenues stood at 1,356.3 or increased by 27.5%. The changing revenues can be explained as following;

1. Revenues from collection of purchased account receivables was 1,109.3 million Baht in 2016, increase 370.9 million Baht or 50.2%. This was because efficiency in collection business increase and non-performing loan portfolio acquired in 2017. The revenues from collection of purchased account receivables accounted 81.8% of total revenues in 2017.
2. Service Income from debt collection in 2017 was 242.0 million Baht, increased by 106.8 million Baht or 78.5% from 2016. Service Income from debt collection accounted 17.8% of total revenues in 2017.
3. Interest Income and related incomes in 2017 was 4.5 million Baht decline from 2016. This is due to the Company's group restructuring in 2016. The Company is no longer consolidated financial statement from J Fintech Co., Ltd.

### Analysis of Cost of Services and Gross Profit

In 2017, the Company's cost of services was 574.4 million Baht higher than 2016 of 196.5 million Baht or 52.0%. The reasons were an increasing of new collector, commission from debt collection, postage expenses and legal expenses incurred from litigation process.

While, the Company's gross profit margin stood at 57.6% lower than 2016 6.8% due to revenues from lending business, which has a high margin in Gross Profit level, was decline.

### Administrative Expenses

The Company incurred administrative expenses 211.0 million Baht, declined by 205.9 million Baht or 49.4%. Thank to the Company no longer have provision from doubtful debt. The Company's administrative expenses to revenues stood at 15.6%. Major component of administrative are employee remuneration and depreciation expenses.

### Finance Cost

Finance Cost for the year of 2017 was 76.9 million, decrease from 2016 7.7 million Baht or 9.1% decrease. Major of the Company's liabilities in 2017 was a debenture.

### Net Profit

The Company's Net Profit in 2017 was 396.1 million Baht more than 2016 of 105.7 million Baht or 36.4% increased. This represents net profit margin of 29.2%

### Analysis of Financial Statement of Position

	As of 31 Dec 16		As of 31 Dec 17		Change	
	MB	%	MB	%	MB	%
Cash and cash equivalents	111.0	2.7%	513.4	9.8%	402.4	362.4%
Current portion of loans receivable from purchase	427.1	10.3%	498.7	9.5%	71.6	16.8%
Other Current Assets	378.8	9.1%	159.2	3.0%	(219.6)	-58.0%
Current Assets	916.9	22.0%	1,171.3	22.3%	254.4	27.7%
Loans receivable from purchase of accounts receivable -Net	3,021.1	72.6%	3,816.7	72.7%	795.6	26.3%
Other long-term investment	104.3	2.5%	104.3	2.0%	-	0.0%
Other Non-Current Asset	121.6	2.9%	155.5	3.0%	33.9	27.9%
Total Non-Current asset	3,247.1	78.0%	4,076.6	77.7%	829.5	25.5%
<b>Total Assets</b>	<b>4,164.0</b>	<b>100.0%</b>	<b>5,247.9</b>	<b>100.0%</b>	<b>1,083.9</b>	<b>26.0%</b>

	As of 31 Dec 16		As of 31 Dec 17		Change	
	MB	%	MB	%	MB	%
Current Liabilities	1,665.9	40.0%	430.6	8.2%	(1,235.3)	-74.2%
Debentures	548.9	13.2%	2,084.3	39.7%	1,535.4	279.7%
Other Non-Current Liabilities	562.2	13.5%	2,492.1	47.5%	1,929.9	343.3%
<b>Total Liabilities</b>	<b>2,228.1</b>	<b>53.5%</b>	<b>2,922.7</b>	<b>55.7%</b>	<b>694.6</b>	<b>31.2%</b>
<b>Total Shareholder's Equity</b>	<b>1,935.8</b>	<b>46.5%</b>	<b>2,325.2</b>	<b>44.3%</b>	<b>389.4</b>	<b>20.1%</b>

### Asset

As of the period ending 31 December 2017, the Company had total assets equal to 5,247.9 million Baht divided to current asset 1,171.3 million Baht or 22.3% of total asset and Non-current asset 4,076.6 million Baht or 77.7% of total asset. Total asset increase 1,083.9 million Baht or 26.0% increase from 2016. Major component of the increase are cash and cash equivalent, Loans receivable from purchase of accounts receivable and equipment.

### Liabilities

As of the period ending 31 December 2017, the Company had total liabilities equal to 2,922.7 million Baht, increase by 694.6 million baht or 31.2%. The major changing in liabilities in 2017 is the Company issued more debentures at 2,084.3 million Baht or increase 1,535.4 million. The issuance of debenture was to acquire distress debt and extend the tenor of debt profile.

The Company' Debt to Equity Ratio and Interest Bearing Debt to Equity ratio at the end of 2017 were 1.25 times and 1.21 times respectively.

### Cash Flow Statement

In 2017, the company has a net increase of cash and cash equivalents of 402.4 million baht. Details of cash flows in each activity can be grouped as follows:

	2016	2017
Cash flows from operation activities	(1,485.2)	(704.6)
Cash flows from investment activities	1,648.6	153.3
Cash flows from financing activities	(96.5)	954.0
Cash and cash equivalents – net increase (decrease)	66.9	402.4

In 2017 regarding cash flows from operation activities, the Company has net cash used in operation activities by the amount of 704.6 million Baht which is a result of acquisition of more non-performing debts

to manage. In the year of 2017, the Company starts to acquire secure bad debt which cost of acquire secure type of distress debt is higher than unsecure type.

In 2017, with respect to cash flows from investment activities, the Company has net cash gained from investment activities of 153.3 million baht. The Company does not have to lending money to subsidiary.

Regarding cash flows from financing activities in 2017, the Company has net cash received from financing activities amounting to 954.0 million baht. The cash flow from financing gain was from the debenture issuance and cash received from capital increasing.

The Company's liquidity ratio is 2.72 times in 2017 compared with 0.55 in 2017. The Company' extends the tenor of debt profile longer by using debentures.

### **Forward Looking**

The Company will pursue its strategy to grow its business further. In 2018, the target of acquisition of distress debt is 52,000 million Baht both secure and unsecure debt. Moreover, the Company has been studying to invest in potential business which will enhance return and synergy with group of companies. In addition, to expand collection business in CLMV region, the Company started operation in Cambodia and plan to study to set up the collection business in Vietnam in 2018.

Please be informed accordingly.

Sincerely Yours,

- Singed -

(Mr.Wongsakorn Kittitrakulkarn)

Company Secretary

Investor Relations Department

JMT Network Services Public Company Limited