

Ref: IR61/016

13 November 2018

Subject: Management Discussion and Analysis, 3rd Quarter Ending 30 September 2018
 To : President
 The Stock Exchange of Thailand

Regarding to JMT Network Services PCL. (“the Company”) No.5/2018 on 13 November 2018, the resolution to certify the financial statements and performance of the Company and the Company’s subsidiaries for the third quarter ending 30 September 2018, which has already been examined by the Company’s auditor, the results can be summarized as follows:

The performance of the Company and the Company’s subsidiaries for the 3rd quarter of 2018, the consolidated financial statement showed a net profit of 138.3 million baht, which was an increase from the 3rd quarter of 2017 at 40.0 percent. The Company’s net profit margin stood at 28.7 percent. An increase of net profit was a result of the Company has higher revenues from collection of purchased accounts receivables and debt tracking services.

For 9-months period of 2018, the Company’s net profit was 374.3 million baht which increased 26.1 percent from the same period last year. This represents the Company’s net profit margin of 28.1 percent in 9-months period of 2018. Thus, the details of the Company group can be described as follows:

Summary of Income Statement

Highlights of Performance in Q3/2018 and 9-month of 2018

- 9 month’s total revenues growth at 32.9% and net profit growth at 26.1 which is in line with the Company’s target

	Q3/2018 MB	Q3/2017 MB	Change %	9M/2018 MB	9M/2017 MB	Change %
Services income from debts collection and others	77.7	60.5	28.4%	201.8	177.0	14.0%
Revenues from collection of purchased accounts receivables	369.3	288.9	27.8%	1,061.0	820.8	29.2%
Insurance income	35.1	-		67.7	-	
Interest income and related	0.2	1.0	-80.0%	0.9	3.7	-75.1%

	Q3/2018 MB	Q3/2017 MB	Change %	9M/2018 MB	9M/2017 MB	Change %
income						
Total Revenues	482.3	350.4	37.6%	1,331.4	1,001.5	32.9%
Cost of services	(173.0)	(152.4)	13.5%	(480.5)	(416.4)	15.4%
Insurance expenses	(25.5)	-		(47.7)		
Gross Profit	283.9	198.0	43.4%	803.2	585.2	37.3%
Administrative expenses	(77.3)	(57.8)	33.7%	(223.4)	(161.8)	38.1%
Operating Profit	215.6	140.1	53.9%	593.0	426.9	38.9%
Finance Cost	(32.7)	(19.9)	64.3%	(91.0)	(54.4)	67.3%
Tax Expenses	(46.6)	(21.5)	116.7%	(129.1)	(75.7)	70.5%
Net Profit	138.3	98.8	40.0%	374.3	296.8	26.1%

Total Revenues

The Company's total income for the 3rd quarter of 2018 was 482.3 million baht, which was an increase from the same period for the previous year by 132.0 million baht or an increase of 37.6 percent due to:

1. Increased revenues from collection of purchased accounted receivables increase 80.4 million baht or an increase of 27.8 percent as a result of the Company's cash collection continually increase.
2. Increased income from debt collection services and other income in Q3/2018 by 17.2 million baht or an increase of 28.4 percent. This was because the Company can achieve a higher in amount of debt tracking for customers. Also, revenues from commission receive in insurance and personal loan lead generator.
3. Income from insurance business in Q3/2018 was 35.1 million baht which is the revenues from non-life insurance that the Company acquired a majority stake since Q2/2018

For 9-months period of 2018, the Company's total revenue was 1,331.4 million baht which increased 329.9 million baht or 32.9 percent from the same period last year. This was because the Company can collect more from account receivables and debt tracking services income increasing. Cash collection for 9 month period of 2019 was 1,669 million baht which increased from the same period last year of 22.4%.

The Company acquired non-performing loan by using the budget amount of 1,841 million bath in 9-month period of 2018.

Cost of Services

The Company incurred service costs for the 3rd quarter of 2018 equal to 173.0 million baht more than the 3rd quarter of 2017 at 13.5 percent as compare to the same quarter last year. The reason was an increasing of employee remuneration as a result of debt collection business expansion especially for business of debt acquisition. The Company incurred insurance expense of 25.5 million baht which reflect cost of insurance services incurred from the new insurance subsidiary.

Gross Profit

The Company had a gross profit in consolidated financial statement the 3rd quarter of 2018 equal to 283.8 million baht that was increase 85.9 million baht or 43.4 percent higher than the 3rd quarter of 2017. For 9-months period of 2017, the gross profit from consolidated financial statement was 803.2 million baht which represent gross profit margin of 58.8%. An increasing of gross profit primarily stem from an increasing of gross profit proportion in revenues increase from collection of purchased accounted receivables and insurance business which yield higher gross profit margin.

Administrative Expenses

The Company had administrative expenses for the 3rd quarter of 2018 equal to 77.3 million baht, which was increase 19.4 million baht or 33.6% higher than the same period last year. This represents 16% of revenues. The reason of an increasing is the administrative expense from insurance business of new subsidiary JP insurance PLC which has administrative expenses amount of 17.8 million baht. If excluded the administrative expenses from new subsidiary the administrative expenses was 59.4 million baht or 13.3% of the revenues from debt collection.

Net Profit

For the 3rd quarter of 2018, the Company's net profit was 138.3 million baht that was 39.5 million baht or 39.9% higher than the same period last year. For 9 month period of 2018, the Company's net profit report at 374.3 million baht which increase 26.1% from the same period last year.

Summary of Financial Statement

	As of 30 Sep 2018		As of 31 Dec 2017		Change	
	MB	%	MB	%	MB	%
Cash and cash equivalents	244.4	3.3%	513.4	9.8%	-269.0	-52.4%
Short-term loans to related parties	330.0	4.5%	0	0.0%	330.0	0.0%
Refundable value added tax	69.1	0.9%	62.5	1.2%	6.6	10.6%
Other Current Asset	88.7	1.2%	38.6	0.7%	50.1	129.8%
Total Current Asset	1,794.9	24.3%	1,171.3	22.3%	623.6	53.2%
Loans receivable from purchase of accounts receivable - net	508.8	6.9%	498.7	9.5%	10.1	2.0%
Long-term investment	109.5	1.5%	104.3	2.0%	5.2	5.0%
PP&E	110.1	1.5%	86.3	1.6%	23.8	27.6%
Other Non-Current Asset	5,584.0	75.7%	4,076.6	77.7%	1,507.4	37.0%
Total Asset	7,378.9	100%	5,247.9	100.0%	2,131.0	40.6%
Short-term loans from financial institutions	100.0	1.4%	-	-	100.0	100.0%
Trade and other payables	375.4	5.1%	34.8	0.7%	340.6	978.7%
Current portion of debentures	449.8	6.1%	99.9	1.9%	349.9	350.3%
Short term loan	199.5	2.7%	139.5	2.7%	60.0	43.0%
Other current liabilities	34.7	0.5%	10.7	0.2%	24.0	224.3%
Total current liabilities	1,766.7	23.9%	430.7	8.2%	1,336.0	310.2%
Debentures-net	1,636.1	22.2%	2,084.3	39.7%	-448.2	-21.5%
รวมหนี้สินไม่หมุนเวียน	2,239.5	30.4%	2,492.1	47.5%	-252.6	-10.1%
Total non-current liabilities	4,006.1	54.3%	2,922.7	55.7%	1,083.4	37.1%
Total Shareholder's Equity	3,372.8	45.7%	2,325.2	44.3%	1,047.6	45.1%

Assets

As of the period ending 30 September 2018, the Company had total assets equal to 7,378.9 million baht more than as the ending of 2017 equal to 2,131.0 million baht or 40.6 percent due to an increasing in investment in account receivables both secure and unsecure type of non-performing loan. This was an objective of the business to expand revenues base in future. Moreover, the Company has more short-term investment and goodwill.

Liabilities & Shareholder's Equity

As for the period ending 30 September 2018, the Company had total liabilities equal to 4,006.2 million baht more than as ending of 2017 at 1,083.4 million baht or 37.1 percent due to higher in short-term loan from financial institution and long-term debt to expand portfolio and an increasing of liabilities of insurance business contract. Whereas, shareholders' equity equal to 3,372.8 million baht which increase 1,047.6 million baht as a result of share premium increase from JMT-W1 conversion.

As ending of Q3/2018, the Company's total debt to equity ratio stood at 1.20 times while interest bearing debt to equity ratio was 1.00 times.

Looking forward

The Company's performance in Q3/2018 confirms that the performance is still in line with the Company's business target. The Company's net profit for 9 month period in 2018 growth at 26% from the same period last period. In Q4/2018, the Company expects to enter in a high season of its business. The Company would like to notify that we do not have any cash flow or financial status problem. The Company issued new debenture No.1/2018 amount of 1,075 million baht with 3 years maturity with interest rate 4.3%. This would help the Company to lock cost of funding for further business operation and sufficient capital for non-performing loan acquisition in order to enhance return to the shareholders.

Thus, you have been informed for your acknowledgement

Sincerely Yours,

- *Singed* -

(Mr.Wongsakorn Kittitrakulkarn)

Company Secretary

Investor Relations Department
JMT Network Services PCL.