

Ref. IR62/008

9 August 2019

Subject: Management Discussion and Analysis, 2nd Quarter Ending 30 June 2019
Attention: President
Stock Exchange of Thailand

Pursuant to JMT Network Services PCL. (“the Company”) No. 3/2019 on 9 August 2019, the resolution to certify the financial statements and performance of the Company and the Company’s subsidiaries for the second quarter ending 30 June 2019, which has already been examined by the Company’s auditor, the results can be summarized as follows:

Performance Highlights and Overall performance results

- The Company’s Net Profit continues to grow and remark as a highest net profit for 6th quarterly consecutively since 2017.
- The Company’s Cash Collection in Q2/2019 equal to 706 million baht, increased by 28.8% as compared to the same period last year and for the 6 month cash collection was 1,414 million baht, increase by 33.1% as compare to the same period last year.
- The company purchased distressed debt equal to 1,235 million baht in the 1st half of 2019. The outstanding balance of purchased account receivable stood at 148,091 million baht which remark as a No.1 in distress debt under management in Thailand.

The performance of the Company and the Company’s subsidiaries for the second quarter of 2019, the consolidated financial statement showed a net profit of 148.5 million baht, which was higher from the second quarter of 2018 23.9 percent. This represent net profit margin 25.3%. The Company’s the 6-months end of 2019 net profit was 293.0 million Baht, which was higher than the same period last year 24.2%. The Company’s 6-month end net profit margin stood at 25.9%. An increase of net profit was a result of the Company has higher revenues from collection of purchased accounts receivables. Thus, the details of the Company group can be described as follows:

Summary of Income Statement

Unit: Million

	Q2/2018	Q2/2019	Change	% Change	6M/2018	6M/2019	Change	% Change
Services income from debts collection and others	65.4	91.8	26.4	40.3%	124.1	181.8	57.7	46.5%
Revenues from collection of purchased accounts receivables	350.7	448.7	97.9	27.9%	691.7	867.7	176.1	25.5%
Revenues from Insurance	32.6	45.1	12.5	38.5%	32.6	82.4	49.8	152.9%
Total Revenues	449.0	586.1	137.1	30.5%	849.1	1,132.9	283.8	33.4%
Cost of services	(155.9)	(229.2)	(73.3)	47.0%	(307.5)	(426.4)	(118.9)	38.7%
Insurance Expenses	(22.2)	(59.6)	(37.4)	168.1%	(22.2)	(92.2)	(70.0)	314.6%
Gross Profit	270.9	297.3	26.4	9.8%	519.3	614.2	94.9	18.3%
Administrative Expenses	(83.9)	(93.0)	(9.1)	10.8%	(146.1)	(187.4)	(41.3)	28.3%
Operating Profit	190.4	217.7	27.3	14.4%	377.5	452.2	74.8	19.8%
Finance Cost	(30.6)	(45.4)	(14.8)	48.4%	(58.3)	(86.5)	(28.2)	48.3%
Tax Expenses	(39.3)	(35.1)	4.2	-10.7%	(82.5)	(86.8)	(4.3)	5.2%
Net Profit attribute to Equity Holder of the Company	119.9	148.5	28.6	23.9%	236.0	293.0	57.0	24.2%

Total Revenues

The Company's total income for the second quarter of 2019 equaled 586.1 million baht, which was an increase from the same period for the previous year by 137.1 million baht or an increase of 30.5 percent. While the Company's total income for the 6-month end was 1,132.9 million baht which increase from the same period last year 283.8 million baht or 33.4 % increase due to:

1. Income from debt collection services and other income for Q2/2019 was 91.8 million baht increase by 26.4 million baht or an increase of 40.3 percent. For 6 month-end of 2019 was 181.8 million baht increase by 57.7 million baht or an increase 46.5% from the same period last year.
2. Revenues from collection of purchased accounts receivables equal to 448.7 million baht increase by 97.9 million baht or an increase of 27.9 percent. For the 6 month-end of 2019, the Company' revenues from collection of purchased accounts receivables was 867.7 million baht or an increase 176.1 million baht or an increase 25.5% from the same period last year. This was as a result of the Company collection efficiency increase. The revenues from collection of purchase accounts receivables accounted for 76.6 of total revenues.

3. For the second quarter of 2019, an insurance income was 45.1 million baht increase from the same period last year at 38.5%. And for the 6 months of 2019, the company has income from the insurance business equal to 82.4 million baht increase from the same period last year at 152.5%. An increasing was from the insurance business expansion.

Total revenue growth in the 6 months of 2019 is consistent with the target of revenue growth that has been targeted. In the 3 and 4 quarters, the bad debt portfolio which fully amortized the investment value will boost up the growth rate of revenues.

Cost of Services

The Company incurred service costs for the second quarter of 2019 equal to 229.2 million baht more than the second quarter of 2018 73.3 million baht or increase 47.0 percent as compare to the second quarter last year. For the 6 month period of 2019, the Company' cost of services was 426.4 million baht increase 118.9 million baht or 38.7%. Cost of services increase was primarily from employee remuneration cost due to its business expansion. The company also incurred cost from insurance business amount 59.6 million baht increase from the same period of the previous year by 168.1 percent, which was the result of the expansion of operations in the insurance business of the company's subsidiary.

Gross Profit

The Company had a gross profit in consolidated financial statement for the second quarter of 2019 equal to 297.3 million baht that was increase 26.4 million baht or 9.8 percent higher than the second quarter of 2018. While the 6 month period of 2019, the Company's gross profit showed 614.2 million baht. This represents the Gross Profit margin of 54.2%. If calculating the proportion of gross profit for the non-performing debt management business, the gross profit margin stood at 59.4 percent.

Administrative Expenses

The Company had administrative expenses for the second quarter of 2019 equal to 93.0 million baht, which was increase 9.1 million baht or 10.8 percent lower than the same period last year. For the 6 month period of 2019, the Company's administrative expenses was 187.4 million baht an increasing of 41.3 million baht or 28.3% due to cost of employee from business expansion and one time financial advisor expenses from insurance business acquisition.

Assets

As of the period ending 30 June 2019, the Company had total assets equal to 9,634 million baht higher than 2018 equal to 1,270.7 million baht or 15.2 percent due to an increasing of cash and cash equivalent from issuing debenture and an increase of purchased account receivable which the company acquired during the 1st half of this year.

Liabilities & Shareholder's Equity

As for the period ending 30 June 2019, the Company had total liabilities equal to 6,353.3 million baht more than 2018 at 1,456.8 million baht or 29.7 percent due to account payable increase from acquired distress debt from financial institution and the Company issued debenture during the second quarter of 2019. Whereas, the Company's shareholder 'equity was 3,280.7 million baht, an decrease by 186.1 million baht from the end of 2018 which as a result of dividend payout from retain earning of the Company. The Company's Debt to Equity Ratio is 1.94 times and the Interest Bearing Debt to Equity Ratio is 1.08 times.

Thus, you have been informed for your acknowledgement

Sincerely Yours,

- Singed -

(Mr.Wongsakorn Kittitrakulkan)

Company Secretary

Investor Relations Department

JMT Network Services PCL.