



# Management Discussion and Analysis 2021

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**JMT Network Services**

**“Thailand Avant-Garde AMC”**

IR65/004

24 February 2022

Subject: Management Discussion and Analysis, ending on December 31, 2021  
To: The President  
The Stock Exchange of Thailand

According to the resolution of the Board of Directors of JMT Network Services Public Company Limited (the "Company") No. 2/2022 held on February 24, 2022, it was resolved to approve the financial statements and performance results. Company's performance and its subsidiaries fixed on 2021, ending on December 31, 2021, which have been audited by the Company's auditor. Then the results can be summarized as follows:

### **Overview of the Company's operating results and important factors affecting operations**

#### **Thailand's overall economic situation**

In 2021, the coronavirus 2019 epidemic situation continues to be ongoing, the government announced the lockdown measures at the end of the quarter 2/2564 by limiting travel and leaving the area, especially in provinces with high epidemic situations that affect businesses. In 2021, the Business Research Center forecasts that the Thailand economy's growth in terms of gross domestic product (GDP) will be in the range of 0.5-1 percent, due to lower consumer purchasing power and reduced surfing.

#### **The situation of the industry and the number of non-performing debt in the market**

Thailand's household debt situation has grown throughout the years. According to Bank of Thailand data, household debt was 14.34 million baht at the end of Q3/21, or approximately 89.3 percent of GDP. which increased by approximately 300 billion baht compared to the same period previous year. Such an increase gives a chance that the situation of NPLs will increase in the future amid the economic slowdown. In 2021, the government and the Bank of Thailand have expanded various measures to mitigate the impact. This will affect the amount of non-performing debt that will increase in the future.

However, the increase in the amount of such non-performing debt provides an opportunity for asset management companies that are ready in the system. Investments can act as a mechanism to return debtors who are suffering from financial problems to have credit back to normal to enter the financial system again, which JMT Network Services Public Company Limited is one of the asset management's companies that will help the Ecosystem to the financial system in Thailand.

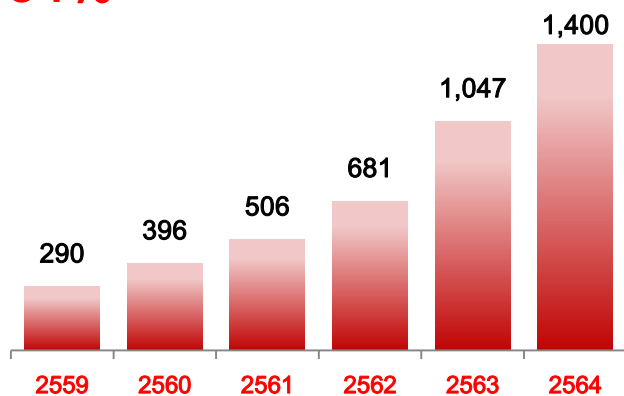
#### **Overview of operating performance and operational strengths for 2021**

2021 Although the situation of the COVID-19 epidemic will cause the economy to contract, but by adjusting operational and management strategies that consider economic risks This allows the company to have a performance that grows exponentially. The company remains confident that it is the No. 1 leader in the country in terms of performance in the debt management business for unsecured non-performing debt (Unsecure Loan).

### Net Profit 2016 - 2021 (million baht)

Growing from last year

**34%**



For the past 2021, it is regarded the year that the company has a solid performance and reached the highest record in terms of debt collection for the 6th consecutive year, with cash flow

collection of 4,590 million baht, increasing by 24 percent. From the previous year This is due to increased debt collection efficiency. And the possibility of the debt in which the company has already invested. For the sixth consecutive year, the company's net profit of 1,400.4 million baht increased by 34 percent from 2020, reaching a new record for the highest net profit since the start of operations.

In terms of operations, in 2021 for the non-performing debt management business the company can buy non-performing debt with an investment budget of 8,516 million baht. The company purchases both secured and unsecured non-performing debt with investments. There is no collateral that the company considers when purchasing non-performing debt. It is critical to consider the return on investment in non-performing debt. To provide returns for shareholders, it is the country's leading unsecured private debt manager.

### Revenue and profit performance summary

	2020		2021		Change	
	MB.	%	MB.	%	MB.	%
Income from contracts with customers	362.1	11.4%	300.6	8.3%	-61.5	-17.0%
Interest and dividend income	1,726.5	54.1%	2,073.8	57.2%	347.3	20.1%
Profit on loans from purchases of receivables	902.9	28.3%	1,056.4	29.1%	153.5	17.0%
Insurance income	199.2	6.2%	194.2	5.4%	-5.0	-2.5%
<b>Total income</b>	<b>3,190.8</b>	<b>100.0%</b>	<b>3,625.0</b>	<b>100.0%</b>	<b>434.2</b>	<b>13.6%</b>
Cost of service	870.3	27.3%	865.3	23.9%	-5.0	-0.6%
<b>Gross profit</b>	<b>2,157.8</b>	<b>67.6%</b>	<b>2,591.0</b>	<b>71.5%</b>	<b>433.2</b>	<b>20.1%</b>
Other income	16.1	0.5%	31.3	0.9%	15.2	94.4%
Administrative Expenses	441.1	13.8%	601.1	16.6%	160.0	36.3%
Expected Credit Loss	203.0	6.4%	62.2	1.7%	-140.8	-69.3%
Operating Profit	1,523.6	47.8%	62.2	1.7%	-1461.4	-95.9%
Financial Cost	313.9	9.8%	6.3	0.2%	-307.6	-98.0%

	2020		2021		Change	
	MB.	%	MB.	%	MB.	%
Net profit attributable to shareholders of the Company	1,047.0	32.8%	1,400.4	38.6%	353.4	33.8%

### Analysis of Revenues

The Company's total revenue in 2021 was 3,625.0 million baht, an increase of 13.6 percent due to the following revenue changes:

1. In 2021, interest and dividend revenue, as well as profit on loans from receivables purchases, totaling 3,130.2 million baht, up 500.8 million baht or 19 percent from 2020. This was due to the efficiency of debt collection and the quality of the non-performing debt that the Company acquired during the past year. Interest and dividend income and gains on loans from purchases of receivables accounted for 86.3 percent of the total income. This was due to the expansion of investment in non-performing debt purchases, resulting in a significant increase in the proportion of income from debt purchases for management.
2. Income from contracts with customers (income in the debt collection industry) was 300.6 million baht in 2021, a decrease of 61.5 million baht or 17 percent from the previous year, with revenue from debt collection services accounting for 8.3 percent of total revenue. It is similar to last year.
3. In 2021, underwriting income was 194.2 million baht, a slight decrease from the previous year due to underwriting control focusing on the company's performance.

### Analysis of service costs and gross profit

The Company's cost of services in 2021 was 865.3 million baht, a 0.6 percent decrease from the previous year due to lower employee expenses. Because of increased use of technology in debt collection and decreased insurance costs. Because of the effective management of cost-related expenses.

In terms of the consolidated financial statements' gross profit margin, it was discovered that in 2021, the company had a gross profit of 2,591.0 million baht, with a gross profit margin from the consolidated financial statements of 71.5 percent, an increase from the previous year of 2020 reflecting continuously improved management efficiency.

### Administrative expenses and Expected Credit Loss

In 2021, the Company's administrative costs combined with expected credit loss were 663 million baht, a slightly increase 3%. An increasing in administrative expenses was due to an increase computer and software system.

### Financial cost

The company's financial cost in 2021 was 345 million baht, an increase from 2020 of 31.1 million baht, or a 909 percent increase, which increased from the company's liabilities in 2021, which were primarily debentures loaned from financial institutions to buy non-performing debts, and financial expenses incurred from the lease.

### Net profit

According to the consolidated financial accounts, the company's net profit in 2021 was 1,400.4 million baht, an increase of 353.4 million baht from 2020 or a 33.8 percent increase, signifying a net profit margin of 38.6 percent, the greatest net profit in the company's history for the sixth consecutive year.

### Analysis of Financial Position (Abbreviation)

	31 Dec 2020		31 Dec 2021		Change	
	MB.	%	MB.	%	MB.	%
Cash and cash equivalents	976.1	6.8%	2,076.0	7.4%	1,099.9	112.7%
Reinsurance assets	222.4	1.6%	131.0	0.5%	-91.4	-41.1%
Loans from purchases of receivables are expected to be paid within 1 year.	338.9	2.4%	552.4	2.0%	213.5	63.0%
Other current financial assets	1,163.1	8.2%	6,357.8	22.7%	5,194.7	446.6%
Other current assets	78.9	0.6%	160.7	0.6%	81.8	103.7%
<b>Total current assets</b>	<b>3,833.8</b>	<b>26.9%</b>	<b>11,085.0</b>	<b>39.5%</b>	<b>7,251.2</b>	<b>189.1%</b>
Loans from purchases of receivables are expected to be received over 1 year.	9,495.1	66.5%	15,829.1	56.5%	6,334.0	66.7%
Goodwill	273.8	1.9%	273.8	1.0%	0.0	0.0%
Other non-current assets	8.8	0.1%	17.3	0.1%	8.5	96.6%
<b>Total non-current assets</b>	<b>10,436.6</b>	<b>73.1%</b>	<b>16,951.2</b>	<b>60.5%</b>	<b>6,514.6</b>	<b>62.4%</b>
<b>Total assets</b>	<b>14270.4</b>	<b>100.0%</b>	<b>28,036.2</b>	<b>100.0%</b>	<b>13,765.8</b>	<b>96.5%</b>
Current liabilities	2,577.6	18.1%	3,931.0	14.0%	1,353.4	52.5%
Non-current liabilities	5,938.2	41.6%	5,027.6	17.9%	1,189.1	21.0%
<b>Total liabilities</b>	<b>8,515.9</b>	<b>59.7%</b>	<b>8,958.6</b>	<b>32.0%</b>	<b>442.7</b>	<b>5.2%</b>
<b>Total shareholders' equity</b>	<b>5,754.5</b>	<b>40.3%</b>	<b>19,077.7</b>	<b>68.0%</b>	<b>13,323.2</b>	<b>231.5%</b>

### Assets

The Company has total assets of 28,036.2 million baht as of December 31, 2021, divided into current assets of 11,085.0 million baht, or 39.5 percent of total assets. The increase in current assets is a cash increase. and other current financial assets managed from the capital increase at the end of 2021 by investing through short-term funds.

In terms of non-current assets, the company has increased investment in non-performing debt, resulting in a significant increase in loans from purchases of receivables expected to be received over 1 year. This shows the company's potential to invest in non-performing debt more. The company's total assets increased by 13,765.8 million baht or 96.5 percent.

### Liabilities

As of December 31, 2021, the company had total liabilities of 8,958.6 million baht, compared to the year 2020, an increase of 442.7 million baht or 4.9 percent. Financial institution accounts payable from purchase receivables and debentures due within 1 year for long-term liabilities decreased in part of debentures that must be repaid more than 1 year.

Debt to equity ratio and interest-bearing debt to equity ratio as of December 31, 2021 were 0.45 times and 0.39 times, respectively, decreased due to at the end of last year, there was a capital increase from shareholders in the part of the capital increase in proportion to their shareholding (Right Offering).

### Liquidity

The Company had a net increase in cash and cash equivalents of 1,108.9 million baht in 2021, which is divided into cash flows for each operation as follows:

	2020	2021
Cash flow from operating activities	(1,860.5)	(11,061.6)
Cash flow from investing activities	(147.4)	119.5
Cash flow from financing activities	2,658.2	12,090.0
<b>Cash and cash equivalents net increase (decrease)</b>	<b>650.2</b>	<b>1,108.9</b>

Cash flow generated by operations in 2021, the Company had net cash utilized in operational activities of 11,061.6 million baht, which was used to purchase and manage non-performing loans.

Investing activities generate cash flow in 2021, the Company had 119.5 million baht in cash utilized in investment operations, the majority of which was a Interco loan repayment by KB J Capital (formerly J Fintech)

Cash flow from financing activities in 2021, the Company had net cash from financing activities of 12,050.0 million baht, mainly due to receiving cash inflows from issuing new shares by Right Offering

### Forward Looking

The following factors impacting future performance continue driving the company's goal of continuous profits growth in 2022:

External factors	Internal factors
<p><b>Positive</b></p> <ul style="list-style-type: none"> <li>• Market conditions for non-performing debt from financial institutions with a higher likelihood of non-performing debt affected by the Covid-19 issue.</li> <li>• Collaboration in the formation of a joint venture company with Kasikorn Bank</li> </ul>	<p><b>Positive</b></p> <ul style="list-style-type: none"> <li>• Investment preparedness to be ready for future investments in non-performing debt with higher quantities.</li> <li>• Readiness in the work system, as well as employees and branches in more than 26 locations across the country</li> <li>• Increasing use of technology in debt collection processes</li> <li>• Availability of funds to purchase non-performing debt</li> </ul>
<p><b>Negative</b></p> <ul style="list-style-type: none"> <li>• In some industries, the company's cash flow may decrease due to the economic slowdown.</li> </ul>	

Please be informed accordingly.

Yours faithfully,

- Signed -

(Mr. Wongsakorn Kittittrakulkan)

Company Secretary

Mr. Panya Chutisiriwong

Investor Relations

JMT Network Services Public Company Limited