

Management Discussion and Analysis Q1/2023

Jaymart Group Holdings



เป็นได้มากกว่าที่คุณคิด



Jaymart
GROUP

Performance Highlights

Nature of Business:

Jaymart operates as a holding company, which invests in retail, financial, and technology businesses with its core company, Jaymart Mobile, and other potential subsidiaries, such as JMT and JAS Asset, J Ventures and the associated company, Singer Thailand and KB J Capital. Besides, the Company is preparing for a revolution in technology by establishing J Ventures Co., Ltd to bring and develop technology to be used in the group of companies.

Highlights of Q1/2023 Performance

1.) Subsidiaries in the core business reported good net profit in Q1/2023, especially in the debt collection business, which still has a good growth direction in 2023.
2.) Share of profits from investments in companies that have invested in the past 2022 could generate good returns in 2023.

Management Discussion and Analysis Q1/2023

Overview and Factors Affecting Future Performance

The overall picture of the economic situation in the first quarter of 2023 was the period when the overall economy of the country improved from the previous year. It resulted from reopening the country after the COVID situation had eased to almost normalcy. However, from the past COVID situation, consumers are still cautious in spending, resulting in the growth of the purchase of goods still needing to grow higher. Therefore, it was an important factor that caused the core company's business, operating a mobile phone distribution business; in the first quarter of 2023, its growth in terms of sales decreased from the same period of the previous year. Besides, from the debtor assistance policy and the past COVID situation, the companies in the Jaymart group were affected by returning to normal conditions from such cases.

The Company and companies in the group are aware of such a situation. Therefore, the strategy has been adjusted to be more concise to limit such impacts. As a result, the Company expects that Q1/2023 will be the lowest point of the Company's performance that will be affected and should be improved from Q2/2023 onwards, with the following reasons.

1. Core businesses in the Jaymart group, such as mobile phone distribution, debt management, and rental space management, there is still good growth, which will allow the Company's Core earnings to continue to grow.
2. The Company expects that Singer and SGC's management will be able to adjust their operational strategies to resolve the situation by Q2/2023. It is a change in a new management style that is more concise, including bringing technology to adapt to operate more efficiently.
3. New businesses the Company invested in, such as Suki Teenoi, PRTR, and BRR, can continuously generate returns with good performance growth. Besides, Teenoi is planning to be listed on the stock exchange in the future.

The Jaymart Group has been operating under its subsidiaries and associates' joint operation, comprising six core business lines, and focusing on the core business in the retail business under the concept of "The Power of Synergy." It is an effective strategy to create an ecosystem to generate shareholder returns. The details of the development and directions of the performance of each business line are described as follows:

1. Mobile Distribution Business and Accessories

Jaymart Mobile Company Limited (JMB), the Company's core company, which holds 100% of shares in the business, distributing mobile phones and accessories, has adjusted its operating strategy to focus on generating profits in operations. As a result, in the past Q1/2023, JMB had sales of 2,199 million baht, a 11 percent decrease from the previous Q1/2022. Moreover, Jaymart Mobile posted a net profit of 55 million baht in Q1/2023. In Q2/2023, the Company plans to increase sales by adjusting strategies to increase store sales through promotions combined with various mobile phone brands, including selling products through the Synergy channel in the group of companies and partners Jaymart has invested in.

2. Non-Performing Debt Management Business

JMT Network Services Public Company Limited ("JMT"), a 53.6% subsidiary of the Company, operates a non-performing debt management business and can still generate turnover according to the target with cash flow that can be collected 1,944 million baht (including JK) which continued to increase from the previous quarter 4/2022.

In addition, JMT was able to purchase more non-performing debt in Q1/2023. Most of the debt that JMT auctioned for purchase was mainly unsecured debt. It is expected that this year 2023, with the condition of the non-performing debt market, will continue to support JMT's long-term growth in the future.

3. Product Distribution Business with Hire Purchase Service (Associated Company)

In Q1/2023, Singer Thailand Public Company Limited ("Singer"), an associated company held by the Company in the proportion of 25.4%, had a net loss of 843.3 million baht, a decrease from Q1/2022. It resulted from having to set aside provisions for loan debtors in the group affected by COVID, which had been suspended, especially in the commercial product group, the reserve of Singer's subsidiary, SGC. However, after such provision, the Company will accelerate the debt collection and legal process to follow up the non-performing debt back as much as possible, which will gradually improve from Q2/2023 onwards.



4. Property Development Business and Retail Space

JAS Asset Public Company Limited ("J"), operating rental space and community mall business, had a net profit of 22.5 million baht in Q1/2023. It resulted from expanding rental space and reducing rental discounts as COVID subsided. Within 2023, J plans to open two new shopping center projects, namely the Jas Green Village Bang Bua Thong and Jas Village Ramkhamhaeng, which will be opened in the third - fourth quarter of this year.

5. Financial Technology Business (Fintech)

J Ventures Co., Ltd. ("JVC") operates a software development business and invests in Started-up companies with potential and apparent operational development. In Q1/2023, J Ventures developed a Digitization project both within Jaymart Group (Jaymart DX) and outside Jaymart Group (Corporate DX), including business development with the Group in Jaymart (Business Co-creation).

6. New Investment

#	Company	%	Development
1	<p>BNN Restaurant Group Company Limited (Suki Teenoi or Teenoi)</p> <p>Classification of investments: An associate recognizes shares of profits from shareholding.</p>	30.0	<p>Teenoi has continued to develop in terms of branch expansions, which there are 46 branches currently. It has started opening more branches in other provinces and is opening a branch at Jas Asset in Chonburi within Q3/2023. The recent opening of new stores has allowed Teenoi to generate higher revenues and net profits than last year. In Q1/2023, the Company received profit sharing from Suki Teenoi 62.6 million baht. The Company has continuously cooperated in business development in 2023.</p> 
2	<p>Buriram Sugar Public Company Limited ("BRR")</p> <p>Classification of Investments: Fair Value through the Income Statement</p>	9.45	<p>BRR has continuously developed a synergy with the group of companies under the "Buriram Model" project. For example, Singer has released more than 300 million baht (Ngoen Kieow) to BRR farmers and distributes oil tanks to generate joint returns between Singer and BRR. More than 60 stations have been established from the target of 100 stations.</p>  <p>The Company remains confident in the direction of the sugar industry, which is on the uptrend of the industry. The price of sugar futures is rising to a 10-year high due to changing conditions in key world plantations in India and Brazil.</p>

3	PRTR Group Public Company Limited ("PRTR") Classification of Investments: Fair Value through Shareholders' Equity	15.0	The Company has invested in PRTR, a leader in outsourcing human resources (Outsource) to leading companies. Currently, the Company and PRTR are developing a joint business plan for recruiting human resources and driving sales through joint training courses for salespeople. It will build the Company's sales team's future potential.
4	Super Turtle Public Company Limited ("TURTLE") Classification of Investments: Fair Value through Shareholders' Equity	9.82	Super Turtle Public Company Limited (former NINE) has restructured its business by managing 31 BTS stations. In addition, the Jaymart Group by Jaymart Mobile Company has opened stores to sell products on more than 11 BTS stations.
5	SG Capital Public Company Limited ("SGC") Classification of Investments: Fair Value through the Income Statement	4.46	The Company has invested in SGC from receiving the right to allocate shares in proportion to its shareholding from Spin Off of a subsidiary of SINGER. Even though the Company has high non performing loan regarding hire-purchase loans for commercial appliances, which is a consequence of the COVID situation, SGC Capital, the car title loan business, still has good growth.
6	Bangkok Dec-con Public Company Limited ("BKD") Classification of Investments: Fair Value through Shareholders' Equity	9.29	The Company has invested in BKD in Q1/2023 because it is considered that there is an opportunity to do Synergy in business together in the future, such as jointly developing real estate projects or jointly developing real estate for sale in the category of NPA in the future. It is currently in the process of such operations.

Summary of Financial Overview and Operating Results

The financial statements and operating results of the Company and its subsidiaries in Q1/2023, which the Company's auditor reviewed, the summary of income and profits were as follows:

	Q1/2022		Q1/2023		YoY	
	MB.	%	MB.	%	MB.	%
Revenue from contracts with customers	2,431.2	69.2%	2,244.8	66.5%	(186.4)	-7.7%
Interest income from loans receivable from purchase of AR and loans to customers	638.4	18.2%	712.6	21.1%	74.2	11.6%
Profit from Loans on Purchase of Receivables	313.5	8.9%	257.2	7.6%	(56.3)	-18.0%
Rental Income	70.7	2.0%	88.1	2.6%	17.4	24.6%
Underwriting Income	58.7	1.7%	74.7	2.2%	16.0	27.3%
Total revenues from sales and services	3,512.5	100.0%	3,377.4	100.0%	(135.1)	-3.8%
Cost of sales	2,090.8	59.5%	1,873.1	55.5%	(217.7)	-10.4%
Cost of services	232.2	6.6%	299.1	8.9%	66.9	28.8%

	Q1/2022		Q1/2023		YoY	
	MB.	%	MB.	%	MB.	%
Cost of rental	20.4	0.6%	25.6	0.8%	5.2	25.7%
Insurance expenses	103.3	2.9%	57.2	1.7%	(46.1)	-44.6%
Total cost of sales and services	2,446.7	69.7%	2,254.9	66.8%	(191.8)	-7.8%
Gross Profit	1,065.8	30.3%	1,122.5	33.2%	56.7	5.3%
Sales promotion income	123.6	3.5%	83.9	2.5%	(39.7)	-32.1%
Management fee income	7.7	0.2%	17.3	0.5%	9.6	124.7%
Other income	84.6	2.4%	43.5	1.3%	(41.1)	-48.6%
Gain (loss) on fair value adjustment of investment properties	(28.8)	-0.8%	(1.6)	0.0%	27.2	-94.4%
Unrealized gain (loss) on other financial assets	4.2	0.1%	(459.6)	-13.6%	(463.8)	-11042.9%
Gain on sales of investment	3.5	0.1%	24.2	0.7%	20.7	591.4%
Profit before expenses	1,260.6	35.9%	830.1	24.6%	(430.5)	-34.2%
Selling and distribution expenses	263.0	7.5%	289.2	8.6%	26.2	10.0%
Administrative expenses	317.6	9.0%	360.3	10.7%	42.7	13.4%
Total cost of sales and services	580.6	16.5%	649.5	19.2%	68.9	11.9%
Operating Profit	680.0	19.4%	180.6	5.3%	(499.4)	-73.4%
Financial Income	2.1	0.1%	15.9	0.5%	13.8	657.1%
Financial Cost	(160.3)	-4.6%	(226.6)	-6.7%	(66.3)	41.4%
Share of profit (loss) from investment in JV	10	0.3%	132.0	3.9%	122.0	1220.0%
Share of profit from investment in associates	42.3	1.2%	(174.9)	-5.2%	(217.2)	-513.5%
Income (Expense) Income Taxes	(91.6)	-2.6%	(0.6)	0.0%	91.0	-99.3%
Net profit attributable to equity holders	325.1	9.3%	(294.7)	-8.7%	(619.8)	-190.6%

Revenue Analysis

The Company's total revenue in Q1/2023 was 3,377.4 million baht, an increase from the same period of the previous year 135.1 million baht or a decrease of 3.8 percent. The decrease in revenue of the Company's group was mainly due to decreased revenue in the mobile distribution business. The details of revenue in the consolidated financial statements are as follows:

1. Revenue from contracts with customers was equal to 2,244.8 million baht, a decrease of 186.4 million baht or 7.7 percent from the same period of the previous year. It was a result of decreased revenue in the mobile phone distribution business.
2. Interest income from loans for the purchase of receivables and loans and gains from loans for the purchase of receivables which was the income from the part of the financial business both in part of JMT, equal to 969.8 million baht, increased 17.9 or increased by 1.9 percent due to higher non-performing debt collection.

3. Rental income was equal to 88.1 million baht, increased by 17.4 million baht or 24.6 percent from the same period of the previous year. It resulted from the increased expansion of rental space and the better rental rate in the business part of JAS Asset.
4. Underwriting income was equal to 74.7 million baht, increased equal to 16.0 million baht or 27.3 percent. In addition, the revenue generated from preparing the consolidated financial statements of subsidiaries in the insurance business has increased sales growth through the Company's channels and companies in the Jaymart group.

Cost of Sales & Services and Gross Profit Analysis

In Q1/2023, the Company had a total cost of sales and services 2,254.9 million baht, a decrease from the previous year by 191.8 million baht or a decrease of 7.8 percent due to decreased sales in the mobile business.

The Company's gross profit margin from the consolidated financial statements in Q1/2023 was 1,122.5 million baht, an increase of 5.3 percent compared to the same period last year due to revenue growth in each core business segment, especially in the part of the non-performing debt management business.

Selling and Administrative Expenses and Operating Profit Analysis

In Q1/2023, the Company had selling and administrative expenses equal to 649.5 million baht increase of 11.9 percent due to increased employee expenses.

The operating profit in Q1/2023 equaled 180.6 million baht decrease 499.4 million baht or a decrease of 73.4 percent from the same period of the previous year. It resulted from unrealized loss on other financial assets.

Financial Costs

The Company had total finance costs in Q1/2023 equal to 226.6 million baht, an increase from the previous year, equivalent to 66.3 million baht. The increasing in finance costs was mainly due to increased bank overdrafts, short-term loans and long-term loans from financial institutions.

Net Profit (Loss)

The Company's net loss for Q1/2023 was 294.7 million baht, representing a net loss margin of -8.7 percent and loss per share ratio of 0.202. The loss was mainly due to the impact of the [25.2 percent share of loss from SINGER amount of 218 million baht and the unrealized loss from the dilution of the share price that the Company invested amount of 352 million baht \(net tax\)](#). [Excluding the unrealized loss \(net tax\) from the share price the Company has net profit of 57 million baht.](#)

Statement of Financial Position Analysis

Assets

As of March 31, 2023, the Company had total assets of 58,075.2 million baht, divided into current assets of 14,138.2 million baht or 24.3 percent of total assets. Most of which was in the form of cash, and another financial asset was the deposit of funds raised in funds that maintain principal in the money market. Non-current assets were 43,937.0 million baht, representing 75.7 percent of total assets at the end of Q1/2023. Most of which was non-performing debt purchased by subsidiaries. As a result, the Company's total assets increased by 2,674.1 million baht or 4.8 percent.

Liabilities and Shareholders' equity

As of March 31, 2023, the Company's total liabilities were 24,083.9 million baht compared to the end of 2022, a decrease of 535.8 million baht or 2.2 percent due to the repayment of short-term loans and debentures of the Company.

As of March 31, 2023, the Company had total shareholders' equity of 33,991.3 million baht, an increase of 3,209.9 million baht or an increase of 10.4 percent compared to the end of 2022. It resulted from the rise in advance shares received and increased retained earnings from the Company's performance.

The Company had an interest-bearing debt-to-equity ratio (excluding the debt from the lease contract) equal to 0.57 times, a decrease from the end of 2022, and equivalent to 0.67 times. It reflected the financial strength of the capital structure that continues to improve.

Liquidity (Consolidated FS)

For Q1/2023, the Company had a net decrease in cash and cash equivalents 298.7 million baht, separated by cash flow details for each activity as follows:

Unit: million baht	Q1/2022	Q1/2023
Cash flows from operating activities	835.9	200.1
Cash flows from (used in) investing activities	1,130.2	-2,379.8
Cash flows from financing activities	826.1	1,881.0
Net increase (decrease) in cash and cash equivalents	1,120.4	-298.7

Cash flows from operating activities in Q1/2023, the Company had net cash from operating activities 200.1 million baht. It was due to profit from joint venture and loss on fair value adjustment of other financial assets.

Cash flows from investing activities in Q1/2023, the Company had net cash used in investing activities 2,379.8 million baht decrease compared to the same period in Q1/2022. It was due to the Company paid for long-term loans to related parties.

Cash flow from financing activities in Q1/2023, the Company had net cash from financing activities 1,881 million baht increase compared to the same period of Q1/2022. It was due to the Company received from capital increase in subsidiaries 3,501.2 million baht and cash paid for redemption of debentures 2,000.0 million baht

Please be informed accordingly.

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Group Investor Relations

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