

MD&A Q1/2023

JMT Network Services PLC

- Translation -

Ref: IR66/008

12 May 2023

Subject: Management Discussion and Analysis, 1st Quarter ending 31 March 2023.
 Attention: President
 The Stock Exchange of Thailand

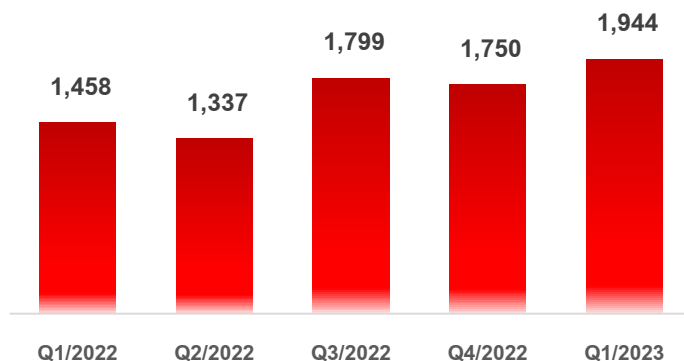
Regarding to JMT Network Services Public Company Limited (“the Company”) No.4/2023 on 12 May 2023, the resolution to certify the consolidated financial statements and performance of the Company and the Company’s subsidiaries for the first quarter ending 31 March 2023, which has already been reviewed by the Company’s auditor, the results can be summarized as follows;

Performance Highlights for Q1/2023

- Net profit attributable to shareholders was 453.1 million baht, an increase of 86.1 million baht or 23.5 percent growth from the same quarter of last year. And the net profit margin stood at 39.4 percent or 5.4 percent growth from the same quarter of last year.
- The Company's cash flow from cash collection including JK asset company was 1,944 million baht, an increase of 33% from Q1/2022 and an increase of 11% when compared to Q4/2022. This was direction in line with the Company's cash collection target.
- Acquiring distress debt equal 1,392 million Baht (excluding JK AMC). Most of acquiring distressed debt purchased in Q1/2023 was unsecured bad debt.

Cash Collection Trend

(Unit: MB.)



“A strategic shift in business operations to create an alliance to acquire non-performing loans has generated additional cash flow collection for the Company and reflected consistently good cash collection performance.”

Summary of Revenues and Net Profit

Consolidated financial statements	Q1/2022		Q1/2023		Change	
	MB.	%	MB.	%	MB.	%
Revenue from contracts with customers	68.9	6.4%	93.7	8.1%	24.8	36.0%
Interest and dividend income	638.9	59.2%	724.1	63.0%	85.2	13.3%
Profit from loans on purchase of receivables	312.0	28.9%	257.2	22.4%	(54.8)	-17.6%
Income from insurance	58.9	5.5%	74.7	6.5%	15.8	26.8%
Total income	1,078.7	100.0%	1,149.7	100.0%	71.0	6.6%
Cost of service	240.1	22.3%	311.2	27.1%	71.1	29.6%
Underwriting expenses	106.5	9.9%	58.7	5.1%	(47.8)	-44.9%
Gross profit	732.1	67.9%	779.8	67.8%	47.7	6.5%
Gain from Debt Instrument measured at FV	9.6	0.9%	5.3	0.5%	(4.3)	-44.8%
Other income	20.4	1.9%	14.4	1.3%	(6.0)	-29.4%
Profit before expenses	762.1	70.6%	799.5	69.5%	37.4	4.9%
Administrative expenses	176.0	16.3%	187.2	16.3%	11.2	6.4%
Expected credit losses	110.8	10.3%	113.7	9.9%	2.9	2.6%
Bad debts and doubtful accounts (reverse)	0.9	0.1%	(0.7)	-0.1%	(1.6)	-177.8%
Total expenses	287.7	26.7%	300.3	26.1%	12.6	4.4%
Earnings Before Interest and Taxes	474.4	44.0%	499.2	43.4%	24.8	5.2%
Financial cost	71.4	6.6%	95.0	8.3%	23.6	33.1%
Share of profit from investments in associates	-	0.0%	133.7	11.6%	133.7	100.0%
Earnings Before Taxes	403.0	37.4%	537.9	46.8%	134.9	33.5%
Income tax expenses	63.3	5.9%	81.4	7.1%	18.1	28.6%
Net profit	367.0	34.0%	453.1	39.4%	86.1	23.5%

Revenues Analysis

The Company's total revenue for the first quarter of 2023 was 1,149.7 million baht, which was an increase 6.6 percent from the first quarter of 2022. The reasons are caused by the change in the direction of revenue for the better as follows;

1. Interest and Dividend Income and Gain on Loan from Acquisition of debtor from the purchase of non-performing debt to manage in the first quarter of 2023, a total of 981.3 million baht, an increase from the first quarter of 2022 by 30.4 million baht or equal to 3.2 percent as a result of an increase in interest and dividend income as a result of received from cash collection has increased.

2. Revenue from a contract with customers from debt collection business with financial institutions in the first quarter of 2023 was 93.7 million baht, a 36.0 percent increase from quarter 1/2022.
3. Underwriting income in the first quarter of 2023 was 74.7 million baht, an increase of 15.8 million baht from the same quarter of the previous year or 26.8 percent due to expansion of insurance business in the business segment of Jaymart Group through the synergy channels.

Cost analysis of services and gross profit

In the first quarter of 2023, the company had service cost of 311.2 million baht, increased from the first quarter of 2022 by 29.6 percent due to debt collection services has been increasing its operation, employee expenses increase and legal expenses increase.

For gross profit from the consolidated financial statements in Q1/2023 equal to 779.8 million baht, increased 47.7 million baht or 6.5 percent from Q1/2022 baht and gross profit margin from consolidated financial statements equal to 67.8 percent, a decrease 0.1 percent from the same period last year.

Total expenses

In the first quarter of 2023, the company had total expenses of 300.3 million baht, an increase of 12.6 million baht or an increase of 4.4 %. This was due to an increase in administrative expenses, especially employee expenses, from business expansion.

Financial cost

The company had finance costs in Q1/2023 equal to 95.0 million baht, increasing from Q1/2022 equal to 23.6 million baht or an increase of 33.1 percent as a result of the Company's interest-bearing debt increasing from Q1/2022 in the amount of 1,442.4 million baht.

Net profit

The company has a net profit. Consolidated financial statements in Q1 /2023 was 453.1 million baht, an increase from Q1/2022 equal to 81.6 million or an increase of 23.5 percent due to the good management of the collection of non-performing debt portfolios and there is no claim for COVID insurance (one-time item in 2022) of a subsidiary operating insurance business and receive Share of profit from investments in associates, JK Asset Management Company amount 133.7 million baht.

Analysis of financial positions

Asset

As of March 31, 2023 according to the consolidated financial statements The Company has total assets of 36,987.1 million baht, an increase from the end of 2022 by 3,125.4 million baht or an increase of 9.2 percent. The majority of the added asset is loan to related company 3,475.2 million baht.

Liabilities and equity

As of March 31, 2023 according to the consolidated financial statements The Company had liabilities of 9,929.6 million baht, a decrease from the end of 2022 by 843.8 million baht or 7.8 percent. Decreasing was mainly due to the Company had repayment of debentures of 2,000.0 million baht and significant items increased as follows: Payable from purchase of receivables increased by 595.4 million baht, long-term loans increased by 384.9 million baht, short-term loans increased by 100.0 million baht and income tax payable increased by 80.7 million baht.

The Company's total shareholders' equity as of March 31, 2023 was 27,057.5 million baht, an increase of 3,969.4 million baht, mainly increasing from surplus from change in proportion of investment in subsidiaries by 2,867.0 million baht from the sale of shares subscription of a subsidiary and increasing of retained earnings by 453.1 million baht.

The company has a debt-bearing ratio of interest to equity. Quarter end 1/2023 was 0.29 times, a decrease from the end of 2022 that was 0.41 times due to decreasing of liabilities and increasing of equity as described above.

Factors and operational plans that will affect the operations in the future

The operating results during the first quarter of 2023 are considered that the company has performed according to the plan that has been set. Both in terms of cash collection from the non-performing debt that was acquired at the end of last year and cash collection from JK Asset Management Company, which has continued to increase. In the next 9 months of this year, the company is confident that it will continue to grow in order to meet the goals. Such growth will come from debt market conditions, distressed debt market with increasing debt.

Yours faithfully,

- *Signed* -

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