

Management Discussion and Analysis Q2/2023

JMT Network Services



IR66/009

10 August 2023

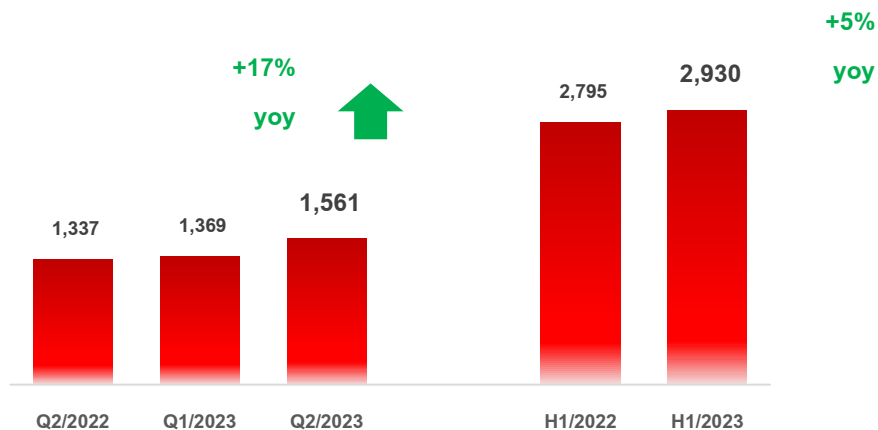
Subject : Management Discussion and Analysis for the Second quarter ended 30 June 2023
Attention : President
The Stock Exchange of Thailand

According to the resolution of the Board of Directors of JMT Network Services Public Company Limited (“the Company”) No. 7/2023 on August 10, 2023. Resolved to approving the financial statements and operating results of the Company and subsidiaries for the second quarter ended June 30, 2023. This has been reviewed by the auditor of the company and with the following results.

Performance Highlights and Overall Operating Results in the Second quarter of 2023: All-time high Profit

- The company has a net profit of 551.0 million baht, an increase of 27.2 percent from the same period last year. This is an all-time high quarterly profit. While, 6-month period of 2023 the Company has a net profit of 1,004 million baht
- The company's cash flow in Q2/2023 was 1,561 million baht, a 17 percent increase over the same period last year. Cash collection from NPLs has reached an all-time high. Meanwhile, cash collections for the first six months of 2023 totaled 2,930 million baht, a 5 percent increase over the same period last year.
- In the last six months of 2023, the company has acquired total NPLs worth 4,126 million baht. To the country's leader no.1 in a portfolio of unsecured non-performing loans.

Comparatively, overall cash flow storage increased 17% when compare to Q2/2022



Economic and industry overview and forward looking

In the first quarter of 2023, the situation of household debt in Thailand continued to worsen. It is estimated to account for 90.6% of GDP. This is considered a fragile factor for the macro economy. Several government regulators have expressed concern over such factors. Both short-term and long-term measures have been issued to alleviate the impact of the overall economic situation. This is reflected in the recent issuance of debt restructuring policies for debtors affected by the COVID situation. However, such policies may not have a sustainable positive effect on vulnerable debtors. In the end, the mentioned debtors must eventually have to be non-performing loans. These factors will be a major catalyst that many financial institutions to consider selling non-performing loans this year. Under this circumstance, the company has the opportunity to purchase non-performing debt with an appropriately prepared budget.

According to the Company's performance and its subsidiaries, the consolidated financial statements for the second quarter of 2023 had a net profit of 551.0 million baht, an increase of percent from the second quarter of 2022, 117.7 million baht, representing a net profit margin of 44.1 %. For the performance of the company and its subsidiaries according to the consolidated financial statements for the six-months period of 2023, the Company had a net profit of 1,004.1 million baht, increased from the previous year's six-months period equal to 203.8 million baht or a net profit margin of 41.8% because the company was able to collect more cash flow, including share of profit from joint venture JK AMC that has grown higher. The details of the operating results of the Group details as follows.

Performance Summary

(Summary Table)

	Q2/2022	Q2/2023	%	Unit: Million Baht		
				6M/2022	6M/2023	%
Revenue from contracts with customers	75.0	84.2	12.3%	143.9	178.0	23.7%
Interest income	648.9	850.9	31.1%	1,287.8	1,575.0	22.3%
Dividend income	0.2	0.3	50.0%	0.2	0.3	50.0%
Gains on loans receivable from purchase of AR	305.8	237.9	-22.2%	617.8	495.1	-19.9%
Income from insurance	57.5	76.2	32.5%	116.4	150.9	29.6%
Total revenues	1,087.4	1,249.5	14.9%	2,166.1	2,399.3	10.8%
Cost of services	267.5	310.8	16.2%	507.6	622.1	22.6%
Insurance expenses	108.0	60.4	-44.1%	214.5	119.1	-44.5%
Gross profit	711.9	878.3	23.4%	1,444.0	1,658.1	14.8%
Administrative expenses	196.3	196.3	0.0%	372.3	383.5	3.0%
Reversal of credit losses	(0.8)	55.7	-7062.5%	110.0	169.4	54.0%

	Q2/2022	Q2/2023	%	6M/2022	6M/2023	%
Operating profit	517.2	649.1	25.5%	991.7	1,148.3	15.8%
Financial cost	65.9	109.2	65.7%	137.3	204.2	48.7%
Share of profit from joint venture	-	129.6	100.0%	-	263.3	100.0%
Income tax expenses	47.6	95.3	100.2%	111.0	176.7	59.2%
Net profit in equity	433.3	551.0	27.2%	800.3	1,004.1	25.5%

Total revenues

The company's total revenue for the second quarter of 2023 is 1,249.5 million baht, an increase from the same period last year of 162.1 million baht, or a percentage increase of 14.9 while total income for the six-months period of 2023 was 2,399.3 million baht, an increase from the same period of the previous year 233.1 million baht or a percent increase 10.8 as details of the income change are follows:

1. Revenue from customers with contracts was 84.2 million baht in the second quarter, an increase 9.2 million baht or an increase by percentage 12.3 from the previous year, and 178 million baht for the six-months period 2023, an increase 34.1 million baht or an increase by percentage 23.7 from the previous year.
2. Interest income and Gains on loans receivable from purchase of accounts receivable equal to 1,088.8 million baht, an increase of 134.1 million baht or a percentage increase 14.0 and for the 6-months period of 2023 equal to 2,070.1 million baht, an increase of 164.5 million baht or a percentage increase 8.6 from the same period last year. In this regard, the income from the collection of the purchased debt accounted for 86.3% of the company's total revenue in the six

months of 2023, this was due to the efficiency of collection process.

3. Income from insurance for the second quarter of 2023 was 76.2 million baht, up 32.5% from the same period the previous year, and insurance business income was 150.9 million baht for the six-months period of 2023, an increase 29.6% due to an increase in insurance coverage.


Total revenue growth in the final six months of 2023 remains consistent with the company's revenue growth target.

Cost of services

The Company's cost of services for the second quarter of 2023 was 310.8 million baht, increase 43.3 million baht, or 16.2 percent, from the same quarter the year prior. And the Company's cost of services for the six-months period of 2023 was 622.1 million baht, an increase of 114.5 million baht or a rate of 22.6 percent compared to the same quarter of the previous year due to an increase in employee expenses and increased legal costs.

Gross profit

The company's gross profit according to the consolidated financial statements for the second quarter of 2023, the amount is equal to 878.3 million baht, an increase of 166.4 million baht, or a



percentage increase of 23.4 percent. While gross profit for the six-months period of 2023 is equal to 1,658.1 million baht, representing a gross profit margin of 69.1 percent.

Administrative expenses

Administrative expenses for the second quarter of 2023 were 196.3 million baht, same as the previous years. For the six-months period of 2023 were 383.5 million baht, an increase of 11.2 million baht or 3 percent due to increase in employee expenses.

Statement of Financial Positions

Asset

The Company's total assets were 40,509.4 million baht at the end of June 2023, an increase 6,647.8

million baht or 19.6 percent from the end of 2022 because an increase in trade accounts receivable. Also, there was an increasing of loan to related party for capital in JK Asset Management Ltd.

Liabilities and Shareholder's Equity

The Company had total liabilities of 13,737.1 million baht at the end of June 30, 2023, an increase of 2,963.6 million baht or 27.5 percent from the end of 2022 due to the Company issued of debentures during the period. While shareholders' equity was 26,772.3 million baht, an increase 3,684.2 million baht from the end of 2022 due to higher share premiums. The debt-to-equity ratio of the company was 0.51 times. The interest-bearing debt to equity ratio is 0.44 times.

Liquidity analysis and the adequacy of the Company's capital


The Company has sufficient cash flow for business operations and loan repayment. In this regard, the Company has already reserved cash flow for bond repayment amount of 648.5 million that the due will be in September 2023.

For the six-months period of 2023, the Company had a net decrease in cash and cash equivalents 2,020.7 million baht, separated by cash flow details for each activity as follows:

Unit: million baht	6M/2022	6M/2023
Cash flows from (used in) operating activities	3,175.3	(2,789.9)
Cash flows from (used in) investing activities	(5,084.0)	(4,306.2)
Cash flows from financing activities	377.4	5,075.4
Net increase (decrease) in cash and cash equivalents	(1,531.3)	(2,020.7)

Cash flows from operating activities in the six-months period of 2023, the Company had net cash used in operating activities 2,789.9 million baht. Decreasing was mainly due to the Company has acquired account receivables 4,126 million baht.

Cash flows from investing activities in the six-months period of 2023, the Company had net cash used in investing activities 4,306.2 million baht. Decreasing was mainly due to increasing of loan to related party for capital in JK Asset Management Ltd. amount of 4,800 million baht.



Cash flows from financing activities in the six-months period of 2023, the Company had net cash from financing activities 5,075.4 million baht. Increasing was mainly due to a capital increase in the subsidiary amount of 3,500 million baht and net cash from debenture after repayment debenture was equal to 2,146.5 million baht.

Forward Looking

The Company's management remains positive on the direction of the Company's operations, while still targeting growth in performance for the following reasons.

From the perspective of the market opportunity to invest in non-performing loans, the market still has a good direction. The company is trusted by financial institutions partners. The company still aims to offer a reasonable purchase price for non-performing loans and remaining of the quality of service for debtors of financial institutions. According to data from financial institutions during the second quarter of 2023, it was found that the group of debtors affected by the COVID situation who are vulnerable began to have more non-performing loans.

From the perspective of a cash flow collection under the current economic situation, the Company has managed debt collection by taking into account the debtor's ability to repay debt and presenting a debt restructuring that is in line with the debtor's ability to pay back to maintain a relationship with debtors in the future. Currently, the Company offers more convenient payment channels to debtors, including an alliance with National Credit Bureau Co., Ltd. (Credit Bureau) (NCB) to facilitate JMT's clients to restructure debt and fix bad credit to come back good again through Jaii-Dee Application, a platform that J Ventures Co., Ltd. (J Ventures) develops and supports JMT's debt management ecosystem.

Please be informed accordingly.

Yours faithfully,

- Signed -

(Mr. Wongsakorn Kittitrakulkarn)

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