

# Management Discussion and Analysis Q3/2023

## JMT Network Services



Ref IR66/011

9 November 2023

Subject Management Discussion and Analysis for the third quarter ended 30 September 2023  
 Attention President  
 The Stock Exchange of Thailand

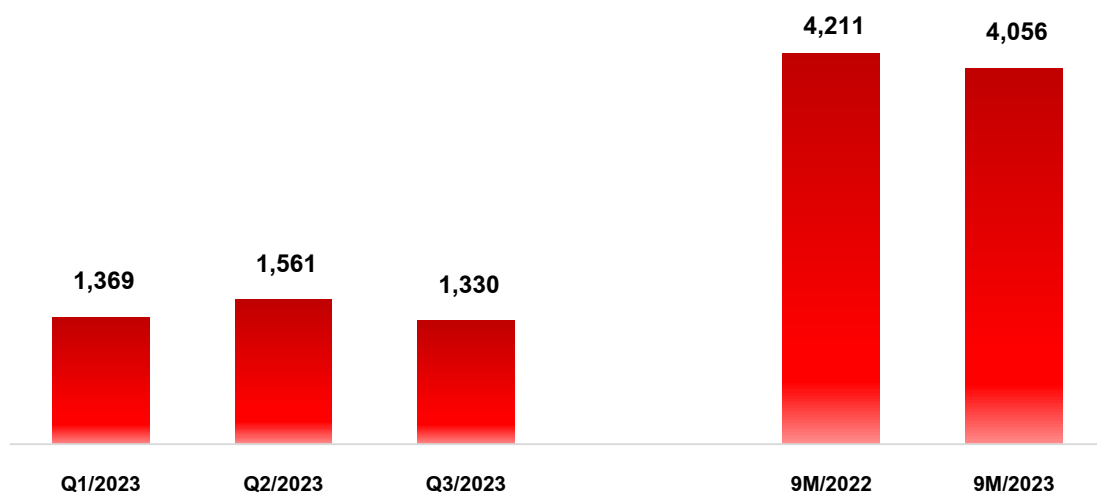
According to the resolution of the Board of Directors of JMT Network Services Public Company Limited (“the Company”) No.8/2023 on November 9, 2023. Resolved to approving the financial statements and operating results of the Company and subsidiaries for the third quarter ended September 30, 2023. This has been reviewed by the auditor of the company and with the following results:

**Performance Highlights in the Q3/2023: Continuous growth**

- The company has a net profit of 466.3 million baht, an increase of 2.4 percent from the same period last year. While, 9-month period of 2023 the Company has a net profit of 1,470.3 million baht, increased from the same period last year of 17.1%.
- The company's cash flow in Q3/2023 was 1,330 million baht, a 6 percent decrease from the same period last year. Cash collections for the 9-month period of 2023 totaled 4,056 million baht, a 4 percent decrease from the same period last year.
- In 9-month period of 2023, the company acquired total NPLs worth 6,302 million baht and in Q3/2023 the Company invested in an additional 2,176 million baht in NPLs. JMT is the number one leader in the country's distressed debt portfolio in terms of unsecured non-performing loans.

**Cash collection overview:**

Unit: million baht



### Overview of economic conditions and Forward Looking:

From the statistics of Bank of Thailand in the 3rd quarter of 2023, the overview of the Thai economy is in the direction of economic recovery. However, the demand for domestic consumption and investment has slowed down. In terms of household debt, it remains at a high level. and debt repayment ability decreases among low-income households or recovers slowly. In addition, the cost of living has increased in line with the increase in inflation. However, Bank of Thailand expects that the economy will continue to recover in the period ahead, which will ensure that the ability to repay debt will not decrease severely or expand widely. As a result, the Company still has a good outlook on the macro economy in the future. And in the current situation, the Company considers it is still a good time to accumulate good quality distressed debt to support future growth.

According to the Company's performance and its subsidiaries, the consolidated financial statements for the third quarter of 2023 had a net profit of 466.3 million baht, an increase of percent from the third quarter of 2023, 10.8 million baht, representing a net profit margin of 35.7%. For the performance of the company and its subsidiaries according to the consolidated financial statements for the nine-months period of 2023, the Company had a net profit of 1,470.3 million baht, increased from the previous year's nine-months period equal to 214.5 million baht or a net profit margin of 39.7%. The details of the operating results of the Group details as follows.

### Performance Summary

#### (Summary Table)

Unit: million baht

	Q3/2022	Q3/2023	% change	9M/2022	9M/2023	% change
Revenue from contracts with customers	81.8	88.0	7.6%	225.7	266.0	17.9%
Interest income	646.1	937.9	45.2%	1,933.9	2,512.8	29.9%
Profit from loans on purchase of receivables	303.0	203.6	-32.8%	920.8	698.7	-24.1%
Income from insurance	69.0	78.3	13.5%	185.4	229.2	23.6%
<b>Total income</b>	<b>1,100.8</b>	<b>1,307.9</b>	<b>18.8%</b>	<b>3,267.1</b>	<b>3,707.2</b>	<b>13.5%</b>
Cost of services	(271.2)	(323.4)	19.2%	(778.8)	(945.4)	21.4%
Underwriting expenses	(65.1)	(68.2)	4.8%	(279.5)	(187.3)	-33.0%
<b>Gross profit</b>	<b>764.6</b>	<b>916.3</b>	<b>19.8%</b>	<b>2,208.7</b>	<b>2,574.4</b>	<b>16.6%</b>
Administrative expenses	(175.0)	(204.6)	16.9%	(547.3)	(588.1)	7.5%
Expected credit loss	(93.0)	(166.8)	79.4%	(203.0)	(336.1)	65.6%
<b>Operating profit</b>	<b>502.4</b>	<b>581.0</b>	<b>15.6%</b>	<b>1,494.0</b>	<b>1,729.3</b>	<b>15.7%</b>
Financial cost	(51.4)	(129.8)	152.5%	(188.7)	(333.9)	76.9%
Share of profit from investments in joint ventures	35.3	114.0	222.9%	35.3	377.3	968.8%

	Q3/2022	Q3/2023	% change	9M/2022	9M/2023	% change
Income tax expenses	(34.7)	(85.6)	146.7%	(145.7)	(262.3)	80.0%
<b>Net profit in equity</b>	<b>455.5</b>	<b>466.3</b>	<b>2.4%</b>	<b>1,255.8</b>	<b>1,470.3</b>	<b>17.1%</b>

### Total Revenues

The Company's total revenue for the third quarter of 2023 is 1,307.9 million baht, an increase from the same period last year of 207.1 million baht, or an increase of 18.8% while total income for the 9-month period of 2023 was 3,707.2 million baht, an increase from the same period of the previous year 440.1 million baht or an increase of 13.5%. The details of the income change are as follows:

1. Revenue from contracts made with customers in the third quarter of 2023 was 88.0 million baht, an increase of 7.6% and for the 9-month period of 2023, was 266 million baht, an increase of 17.9% from the previous year.
2. Interest income and profit from loans for purchases of receivables was 1,141.5 million baht, an increase of 192.4 million baht or an increase of 20.3%, and for the 9-month period of 2023 was 3,211.5 million baht, an increase of 356.8 million baht or 12.5 % from the same period of last year. In this regard, income from collecting debts accounted for 86.6 % of the Company's total revenue.
3. Insurance income for the third quarter of 2023 was 78.3 million baht, an increase of 13.5% from the same period of the previous year, and for the 9-month period of 2023, the company's income from insurance business was 229.2 million baht, an increase 23.6%.

In the 9-month period of 2023, total revenue increase was in line with our forecasted revenue growth.

### Cost of Services

The Company's cost of services for the third quarter of 2023 was 323.4 million baht, an increase of 19.2% compared to the same quarter of the previous year, and for the 9-month period of 2023, the Company's cost of service was 945.4 million baht increased from the same period last year at a 21.4%. Cost increase was mainly from debt collection employee remuneration.

### Gross Profit

The Company has gross profit according to the consolidated financial statements for the third quarter of 2023, it was 916.3 million baht, an increase of 151.7 million baht or an increase of 19.8 percent. According to the consolidated financial statements for the 9-month period of 2023, it was 2,574.4 million baht, representing a gross profit margin of 69.4%, a slight increase from the same period of the previous year.

### Administrative expenses

The Company had administrative expenses for the third quarter of 2023 equal to 204.6 million baht, an increase of 29.6 million baht or 16.9%, and administrative expenses for the 9-month period of 2023 was 588.1 million baht, an increase of 40.8 million baht or 7.5% due to increased employee expenses, selling expenses, and computer system expenses.

### Expected Credit Loss: ECL

The Company has expenses related to Expected Credit Losses (ECL), ECL in the 3rd quarter of 2023

equal to 166.8 million baht, an increase from the same period of the previous year by 73.8 million baht, due to the collection of cash flows in NPLs that has not yet reached the target, therefore, a provision must be made for this ECL, including recognized ECL for accrued income that is recognized according to accrual basis. For debt collection that is lower than expected, the Company has hastened the planning process to accelerate the collection to reach the target, such as accelerating follow-up, legal action will be expedited, which will allow recorded ECL to be reversed in the future.

#### Share of profit from investments in joint ventures

The Company has a share of profit from joint venture investments of 114 million baht for the third quarter of 2023. For 9-month period, the Company has a share of profit from joint venture investments of 377.3 million baht which is the recognition of revenue from JK Asset Management Company Limited.

#### Liquidity analysis and the adequacy of the Company's capital

For the 9-month period of 2023, the Company had a net decrease in cash and cash equivalents 1,748.7 million baht, separated by cash flow details for each activity as follows:

Unit: million baht	9M/2022	9M/2023
Cash flows from (used in) operating activities	4,153.0	(1,158.4)
Cash flows from (used in) investing activities	(5,104.9)	(4,478.3)
Cash flows from financing activities	168.3	3,888.0
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(783.7)</b>	<b>(1,748.7)</b>

Cash flows from operating activities in the 9-month period of 2023, the Company had net cash used in operating activities 1,158.4 million baht. Mainly due to the Company has acquired account receivables 4,126 million baht.

Cash flows from investing activities in the 9-month period of 2023, the Company had net cash used in investing activities 4,478.3 million baht. Mainly due to increasing of loan to related party for capital in JK Asset Management Ltd. amount of 4,800 million baht.

#### Statement of Financial Positions

##### Assets

As of the end of September 30, 2023, the Company had total assets of 40,373.1 million baht, an increase from the end of 2022 by 6,511.5 million baht or an increase of 19.2 percent, which increased from the purchase of additional non-performing debts to manage.

##### Liabilities and Shareholder's Equity

At the end of September 30, 2023, the Company had total liabilities of 13,613.7 million baht, an increase from the end of 2022 equal to 2,840.3 million baht or 26.4% due to the Company issued debentures in the second quarter of 2023 while the shareholders' equity was 26,759.4 million baht, an increase of 3,671.2 million baht from the end of 2022 because of an increase in share premium. The company's debt-to-equity ratio was 0.51 times, while the interest-bearing debt to equity ratio was 0.41 times.

Cash flows from financing activities in the 9-month period of 2023, the Company had net cash from financing activities 3,888.0 million baht. Increasing was mainly due to a capital increase in the subsidiary amount of 3,500 million baht.

### **Forward Looking**

The Company still has a positive outlook on the company's growth from the economic situation that will gradually be improved. In the 4th quarter of 2023, which is the high season of the overall economy. In the 4th quarter of 2023, the Company expects that this quarter will be able to achieve the highest collection of non-performing debts in 2023. In addition, the Company has prepared to raise money from issuing debentures in the 4th quarter of 2023 to support the purchase of distressed debt and future debt repayment. The Company has carefully estimated its cash flow, therefore, there is no concern regarding the company's cash flow projections.

### **Company ESG developments**

Business growth along with the development of the environment, society and good corporate governance. That is considered the main mission of the Jaymart Group of Companies. In the past year, the company has made clearly developed in ESG. The company has participated in various projects of Stock Exchange of Thailand and received an award from Thailand Greenhouse Gas Management Organization (Public Organization) in collaboration with Stock Exchange of Thailand in the activity Climate Care Forum 2023: Time to reduce "reduce for the world" under the cooperation "Climate Care Platform" to encourage all sectors to see the importance and don't wait in reducing and managing resources with value. At the event, a certificate of honor was given to the project to support greenhouse gas reduction activities (LESS project).

In addition, the Company has organized training on the topic "The role of executives and employees in fighting fraud and corruption (ANTI-CORRUPTION) and the ceremony to announce the intention to prevent and suppress corruption of Jaymart Group for the year 2023" to reinforce participation in driving the prevention and suppression of corruption. The company established a policy for training group employees in 2024.

Please be informed accordingly.

Yours faithfully,

- Signed -

(Mr. Wongsakorn Kittitrakulkarn)

Company Secretary

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