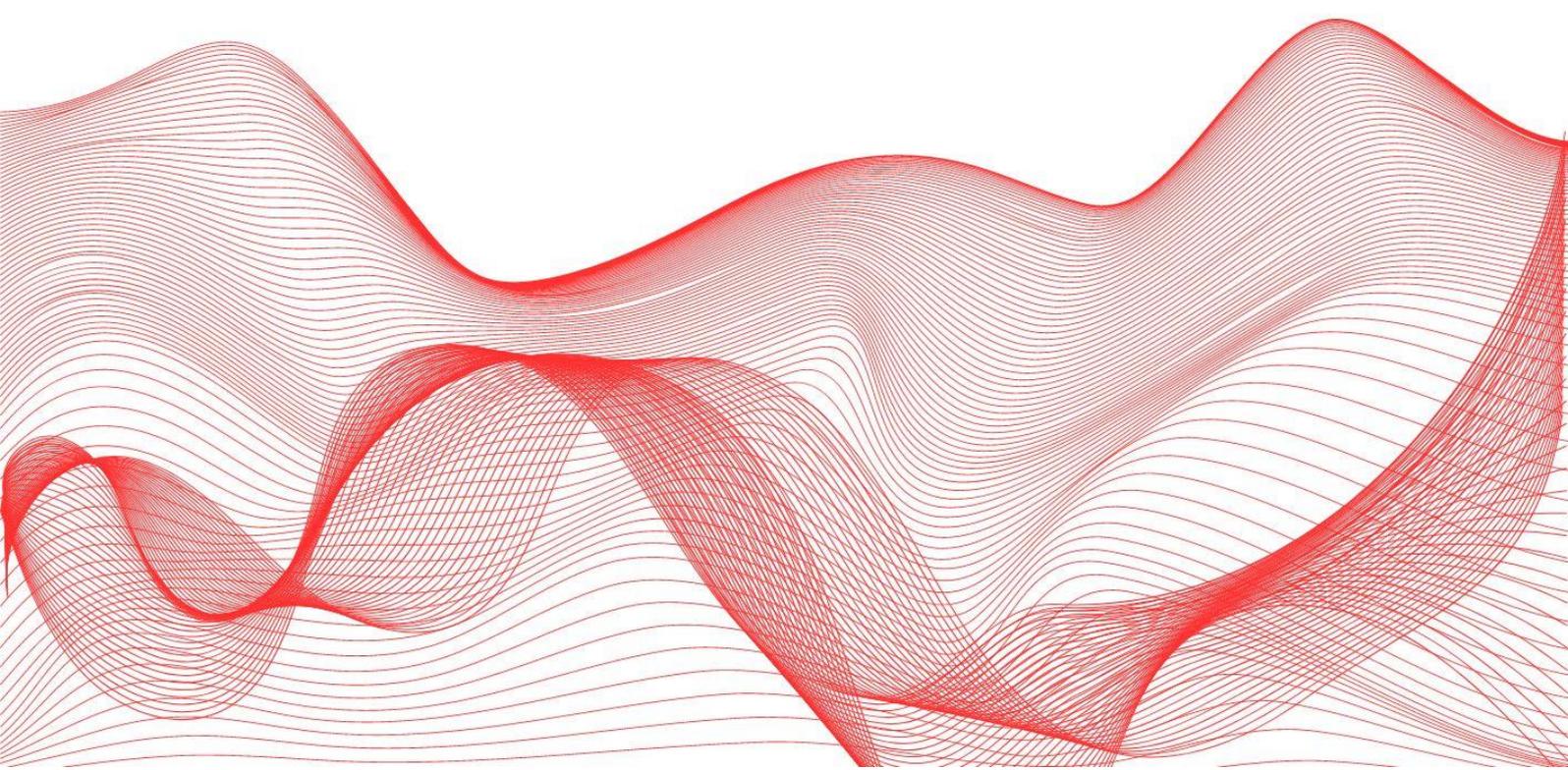


J.AI

J M T

MD&A Q1/2024



Ref: IR67/007

15 May 2024

Subject: Management Discussion and Analysis for the Q1/2024 ended 31 March 2024
 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. 2/2024 on 15 May 2024 it was resolved to approve the consolidated financial statements and operating results of the Company for the first quarter ended 31 March 2024. These have been reviewed by the company’s auditor, yielding the following results.

Summary of key performance statistics for Q1 2024: Business fundamentals remain unchanged

- The Company reported total revenue of 1,356 million Baht, representing an 18% growth. Revenue from non-performing loans management continues to grow and is expected to gradually increase alongside cash flow collections. The debt management segment accounts for 88% of the Company’s total revenue.
- The Company’s total cash collection, including collections from JK AMC, amounted to 2,106 million Baht, marking an 8% increase from Q1 2023. However, this represents a 15% decrease compared to Q4 2023, primarily due to the seasonal effect, as Q4 typically experiences the highest collection rates of the year. The company’s own cash collection totaled 1,449 million Baht, reflecting a 6% growth from the same period last year, aligning with the company’s cash collection targets.
- The net profit attributable to shareholders was 418.3 million Baht, a decrease of 34.8 million Baht or 7.7% compared to the same quarter last year. The net profit margin stood at 30.8%.

The company’s total cash collection increased by 8% year-over-year (YoY).

(Unit: million Baht)



“Despite achieving an 8% increase in cash collection compared to the same period last year, the company aims to further enhance its cash inflow. To achieve this, the company has adjusted its strategy to closely monitor and follow up with debtors.”

Economic and industry overview and Future outlook

According to analysis, Thailand's household debt ratio is projected to increase to 91.4% of GDP by 2024. Credit card, leasing, and personal loan debts are experiencing the fastest growth in a decade. This increase poses a high risk due to three main factors: slow economic and income recovery, higher financial costs compared to the past, and poor financial discipline in debt management. The rise in household debt is expected to lead to an increase in non-performing loans (NPLs). Financial institutions are anticipated to continue releasing NPLs, although there may be a slowdown in the first half of the year due to the Bank of Thailand's request for financial institutions to enhance debt restructuring processes for debtors first. This might result in a limited amount of debt sales.

However, the Company's existing debtors are defaulted loans acquired through auctions from financial institutions. The Company has sufficiently invested in debt purchases in 2023. Therefore, the limited supply of non-performing loans at the beginning of the year will not impact the Company. Currently, the Company has a sufficient debt portfolio to meet its future business objectives.

Summary of operating results

| For the three-month period ended 31 March 2024 | Q1 2023 | | Q1 2024 | | Change | |
|---|----------------|---------------|----------------|---------------|---------------|--------------|
| | MB. | % | MB. | % | MB. | % |
| Revenue from contracts with customers | 93.7 | 8.1% | 81.6 | 6.0% | (12.1) | -12.9% |
| Interest and dividend income | 724.1 | 63.0% | 1,019.6 | 75.2% | 295.5 | 40.8% |
| Profit from loans on purchase of receivables | 257.2 | 22.4% | 198.1 | 14.6% | (59.1) | -23.0% |
| Income from insurance | 74.7 | 6.5% | 56.8 | 4.2% | (17.9) | -24.0% |
| Total income | 1,149.7 | 100.0% | 1,356.2 | 100.0% | 206.5 | 18.0% |
| Cost of service | 311.2 | 27.1% | 363.7 | 26.8% | 52.5 | 16.9% |
| Underwriting expenses | 58.7 | 5.1% | 50.4 | 3.7% | (8.3) | -14.1% |
| Gross profit | 779.8 | 67.8% | 942.0 | 69.5% | 162.2 | 20.8% |
| Gain from Debt Instrument measured at FV | 5.3 | 0.5% | 14.4 | 1.1% | 9.1 | 171.7% |
| Other income | 14.4 | 1.3% | 21.2 | 1.6% | 6.8 | 47.2% |
| Profit before expenses | 799.5 | 69.5% | 977.5 | 72.1% | 178.0 | 22.3% |
| Administrative expenses | 187.2 | 16.3% | 202.7 | 14.9% | 15.5 | 8.3% |
| Expected credit losses | 113.7 | 9.9% | 189.3 | 14.0% | 75.6 | 66.5% |
| Bad debts and doubtful accounts (reverse) | (0.7) | -0.1% | 1.5 | 0.1% | 2.2 | -314.3% |
| Total expenses | 300.3 | 26.1% | 393.6 | 29.0% | 93.3 | 31.1% |
| Earnings Before Interest and Taxes | 499.2 | 43.4% | 584.0 | 43.1% | 84.8 | 17.0% |
| Financial cost | 95.0 | 8.3% | 137.7 | 10.2% | 42.7 | 44.9% |
| Share of profit from investments in associates | 133.7 | 11.6% | 81.8 | 6.0% | (51.9) | -38.8% |
| Earnings Before Taxes | 537.9 | 46.8% | 528.2 | 38.9% | (9.7) | -1.8% |
| Corporate income tax expenses | 81.4 | 7.1% | 105.2 | 7.8% | 23.8 | 29.2% |
| Net profit attributable to the Company | 453.1 | 39.4% | 418.3 | 30.8% | (34.8) | -7.7% |

Revenues Analysis

The Company's total revenue for the first quarter of 2023 was 1,356.2 million Baht, an 18% increase from Q1 2023. This improvement is attributed to the following positive changes in revenue trends.

1. Interest and dividend income and Profit from loans on purchase of receivables are the primary sources of revenue from the business of purchasing and managing non-performing loans. Interest from loans extended to joint ventures is also included. In Q1 2024, this revenue totaled 1,217.7 million Baht, an increase of 236.4 million Baht or 24.1% from Q1 2023. This growth is primarily due to increased interest income and dividends resulting from higher cash collection.
2. Revenue from contracts with customers in the debt collection business with financial institutions amounted to 81.6 million Baht in Q1 2024, a decrease of 12.9% from Q1 2023 due to a decrease in contracted debt collection portfolios, the proportion of revenue from the debt collection business represents only 6 percent of the company's total revenue.
3. Income from insurance in Q1 2024 amounted to 56.8 million Baht, a decrease of 17.9 million Baht or 24% from the same quarter of the previous year due to the Company has considered insurance underwriting by evaluating insurance risks to control the loss ratio.

Cost of service and Gross profit analysis

In Q1 2024, the Company incurred service costs amounting to 363.7 million Baht, representing a 16.9% increase from Q1 2023. This increase is attributed to the expansion of the debt collection business, including expenses related to employee compensation and legal fees for litigation.

As for gross profit, derived from the consolidated financial statements, it amounted to 942 million Baht in Q1 2024, marking an increase of 162.2 million Baht or 20.8% from the same quarter of the previous year. The initial profit margin from the consolidated financial statements in Q1 2024 stood at 69.5%, slightly higher than the corresponding period in the previous year.

Total expenses

In Q1 2024, the Company incurred total expenses amounting to 393.6 million Baht, an increase of 93.3 million Baht or 31.1%. This increase was primarily due to anticipated Expected credit losses (ECL), stemming from loans acquired from debt purchases, as the collection of non-performing loans has not met expectations. The company has undertaken measures to closely monitor non-performing loans, including legal processes to ensure debt recovery within this fiscal year. Additionally, there were increased employee expenses resulting from business expansion.

Financial costs

The Company incurred financial costs of 137.7 million Baht in Q1 2024, an increase of 42.7 million Baht or 44.9% from the same quarter of the previous year. This is a result of an increase in the outstanding balance of bonds by approximately

3,100 million Baht compared to the same period last year (YoY).

Profit share from Joint Venture investments

The Company received a profit share from joint venture investments amounting to 81.8 million Baht in Q1 2024. This represents income recognition from the operational performance of JK Asset Management Co., Ltd.

Net profit attributable to the Company

The Company achieved a net profit of 418.3 million Baht according to the consolidated financial statements in Q1 2024, representing a decrease of 34.8 million Baht or 7.7% from the same quarter of the previous year. Due to the expected increase in credit loss (ECL), increased financial costs from increasing of bonds, reduced profit share from joint ventures compared to the previous year, and increased income tax expenses.

Statement of Financial Positions

Assets

As at 31 March 2024, according to the consolidated financial statements, the Company's total assets amounted to 40,613 million Baht, reflecting a decrease from the end of 2023 by 1,830.5 million Baht or 4.3%. The majority of the decrease in assets was attributed to cash and other current financial assets due to the Company's repayment of bonds.

Liabilities and Shareholder's Equity

As at 31 March 2024, according to the consolidated financial statements, the Company's total liabilities of 12,883.6 million Baht, a decreasing from the end of 2023 by 2,253.4 million Baht or 14.9%. The primary reason for the decrease was the Company's repayment of bonds amounting to 1,848.8 million Baht and repayment of loans totaling 93.9 million Baht.

The Company's total equity as of March 31, 2024, amounted to 27,730.4 million Baht, an increase of 423.0 million Baht from the Company's profit for the period.

Furthermore, the Company's debt-to-equity ratio stands at 0.46 times, while the ratio of interest-bearing debt to equity is 0.41 times.

Liquidity analysis and the adequacy of the Company's capital

For the three-month period ending on March 31, 2024, the Company's consolidated financial statements show a net decrease in cash and cash equivalents of 880.6 million Baht. The breakdown of cash flows by activity is as follows:

| Unit: million baht | 2023 | 2024 |
|---|--------------|----------------|
| Cash flows from operating activities | 1,399.9 | 905.2 |
| Cash flows from (used in) investing activities | (2,986.9) | (57.1) |
| Cash flows from (used in) financing activities | 1,980.9 | (1,728.7) |
| Net increase (decrease) in cash and cash equivalents | 394.0 | (880.6) |

For the three-month period ending on March 31, 2024, the Company had a net cash flow from operating activities of 905.2 million Baht. The primary reason for this was a decrease in the Company's sale of other current financial assets lowered to the same quarter of the previous year, amounting to 713.5 million Baht.

For the three-month period ending on March 31, 2024, the Company used in cash flow from investing activities of 57.1 million Baht. The main reason for this was the purchase of buildings, equipment, and computer software totaling 59 million Baht.

For the three-month period ending on March 31, 2024, the Company used in a net cash flow from financing activities of 1,728.7 million Baht. The primary reason for this decrease was the Company's repayment of bonds amounting to 1,848.8 million Baht and repayment of loans totaling 93.9 million Baht.

The Company is scheduled to repay an additional 1,639 million baht in bonds in the second half of 2024. Plans for cash flow management regarding this repayment have already been finalized.

Sustainable Development

Our company is committed to continuous development in every dimension: environmental, economic, social, and good corporate governance. By adhering to international principles, including the United Nations Sustainable Development Goals (UN SDGs), we aim to drive sustainable growth and create positive impacts both within and beyond our organization.

Key Plans for the First Quarter of 2024

1. Environmental Dimension

- Greenhouse Gas Reduction: Implement initiatives to reduce greenhouse gas emissions, such as improving energy efficiency and increasing the use of renewable energy sources.
- Comprehensive Waste Management: Develop strategies to manage waste efficiently from its origin to its final destination, focusing on reducing, reusing, and recycling materials.

The company is dedicated to solving the issue of waste management comprehensively, from its origin to destination. Through meticulous planning and innovative designs, we aim to reduce resource consumption and minimize waste generation, thereby fostering sustainability and effectively addressing environmental challenges.

In Q1/2024, our efforts yielded tangible results, with a reduction of up to 2,135 kilograms of carbon emissions. This reduction is equivalent to planting 238 large trees that are 10 years old, as calculated using the Climate Care Platform by the Stock Exchange of Thailand.

Through continued dedication and strategic initiatives, we are committed to furthering our impact on environmental preservation and sustainability, ensuring a brighter future for generations to come.

2. Economic and Social Sustainability Development

- Employee Training Initiative Summary

JMT Company places significant emphasis on both economic and social sustainability dimensions. In particular, the company prioritizes employee development as a primary driver of organizational success. Recognizing the pivotal role of human capital, JMT Company focuses extensively on human development and prioritizes the planning and advancement of its workforce, with special attention given to debt collectors.

In the upcoming second quarter, the company is committed to enhancing sustainability knowledge and practices within the organization. To achieve this goal, we have decided to join the ESG DNA project in collaboration with the Stock Exchange of Thailand. This initiative focuses on integrating ESG (Environmental, Social, and Governance) principles into the core operations of participating organizations.

During the first quarter, the company undertook a comprehensive training program for all debt collection employees, covering staff at both the head office and 45 branches nationwide. The training focused on two key areas: harnessing the potential of the debt collection department and compliance with the Personal Data Protection Act (PDPA), as outlined in the Back Office employee development plan.

3. Developing Sustainability in Good Corporate Governance

The Company remains steadfast in its commitment to promoting sustainability, particularly in the realm of good corporate governance. We recognize the importance of creating a human rights policy that prioritizes ethical practices and demonstrates respect for both employees and stakeholders of the Company. To achieve this, we are embarking on a comprehensive human rights examination process, guided by the UN Guiding Principles on Business and Human Rights (UNGPR). The company will continue to disclose the inspection information on the company's website.

By prioritizing the development of a human rights policy and conducting a comprehensive human rights examination, we are taking proactive steps to integrate sustainability into our corporate governance practices. Through transparency, accountability, and a commitment to ethical conduct, we aim to build a sustainable future for our organization and the communities we serve.

Please be informed accordingly.

Yours faithfully,

- Signed -

(Mr. Wongsakorn Kittittrakulkarn)

Company Secretary

Mr. Panya Chutisiriwong

Group Investor Relations

JMT Network Services Public Company Limited

Email: panya@jaymart.co.th

Tel: 02 308 8196

Jaymart Group IR