

- Translation -

Ref: IR63/002

26 February 2020

Subject: Management Discussion and Analysis (MD&A) ending on 31 December 2019
Attention: President
The Stock Exchange of Thailand

According to the resolution of the Board of Directors Meeting of JMT Network Services Public Company Limited ("the Company") No. 1/2020, held on 26 February 2020, has approved the audited financial statements and the operating results of the Company and its subsidiaries for the year ending 31 December 2019 with the results summarized as follows:

Overview of the Company's performance and Important Factors Affecting the Operations

The 2019 performance for the debt management and collection business has been proven that JMT Network Services Public Company Limited ("JMT") is ranking as the number one in the country of debt management business for Non-Performing Loans (unsecured loan). It is due to the situation of household debt in the country that has been increasing in the past several years. Also, the change in accounting standards, which effective in 2020, affects the scheme of provision allowance for non-performing loans of financial institutions. However, it is considered a positive factor that shall enable the Company's operating performance to grow continually in the future.

2019 was considered the year that the Company had a remarkable performance and achieved the highest record for the third consecutive year, in terms of the cash collection of 3,204 million Baht, increase which was a result of the efficiency of collecting and the potential of the debt that the Company had invested in the past. The Company had a net profit of 681.3 million Baht, a growth from 2018 of 34.8 percent, which is the highest net profit since the Company was established for three years.

In 2019, the Company acquired non performing debt, both secure and unsecure loan, amount 28,933 million Baht (contractual value) with investment of 3,368 million Baht which divided to be almost the same proportion in the investment value of secure loan and unsecure loan. The Company selection to purchase non-performing loans mainly considered the return on investment to create profits to shareholders as well as to be the number one in the country conducting the non-performing debt management without collateral.

Summary of Comprehensive Income Statement

	2018		2019		YoY	
	Mio.	%	Mio.	%	Mio.	%
Revenue from Contracts with Customers	288.7	15.4%	363.7	14.4%	75.0	26.0%
Interest Income and dividend income	1,228.40	65.7%	1,294.50	51.3%	66.1	5.4%
Gains on loans receivable from purchase of account receivables	269.6	14.4%	655.7	26.0%	386.1	143.2%
Insurance Income	98.3	5.3%	210.6	8.3%	112.3	114.2%
Total Revenues	1,868.70	100.0%	2,524.60	100.0%	655.9	35.1%
Cost of Service	672.4	36.0%	875.4	34.7%	203.0	30.2%
Gross Profit	1,086.3	58.1%	1,413.0	56.0%	326.7	30.1%
Other Income	6.4	0.30%	11.8	0.5%	5.4	84.4%
Administrative Expenses	302.8	16.2%	394.1	15.6%	91.3	30.2%
Operating Profit	798.9	42.7%	1045	41.4%	246.1	30.8%
Financial Expenses	133.6	7.20%	206.2	8.2%	72.6	54.3%
Net Profit Attributable to Shareholders	505.5	27.1%	681.4	27.0%	175.9	34.8%

Income Statement Analysis

The total revenue of the Company in 2019 was 2,524.5 million Baht, increasing by 33.9 percent. The reason was due to the change in income as follows:

1. Revenues from interest and dividend and Profit from loans receivable from purchase of accounts receivable in 2019 totaling was 1,950.2 million Baht, an increase of 452.2 million Baht from 2018 or 30.2 percent as a result of efficiency in the collection combined with the quality of the non-performing debt that the Company bought during the past several years. Revenues from interest and dividend and Profit from loans receivable from purchase of accounts receivable was 77.2 percent of the total income. The Profit from loans receivable from purchase of accounts receivable which was the revenues from fully amortized bad debt portfolios exhibited a substantial increase in the past year due to the proportion of fully amortized bad debt portfolios increase last year.
2. Revenue from Contracts with Customers, mainly from Debt Collection Business, in 2019 was 363.7 million Baht, an increase of 75.0 million Baht from 2018 or 26.0 percent, with revenue

from debt tracking services accounting for 14.4 percent of total revenue. This was due to the improved efficiency in debt collection and the management of non-performing debt of the Company has been trusted by financial institutions. The Company, therefore, could continually grow its income.

3. Income from insurance business in 2019 was 210.6 million Baht, increasing due to the Company had prepared the consolidated financial statements with its subsidiary, JP Insurance Public Company Limited.

Service Cost Analysis and Gross Profit

In 2019, the Company had the cost of services 875.4 million Baht, an increase of 203.0 million Baht from the previous year or 30.2 percent, which was an increase in personnel expenses, commission for debt collection, litigation cost and costs related to the insurance business.

As for the gross profit margin in the consolidated financial statements, it was found that in 2019 the Company had gross profits from a consolidated financial statement equal to 1,413.0 million Baht or equivalent to 56.0 percent, which was lower than the last year.

Administrative Expenses

In the year 2019, the Company had administrative expenses equal to 394.1 million Baht, an increase of 91.3 million Baht or 30.2 percent. Most of the increased administrative expenses were employee remuneration and write off.

Financial Expenses

The Company's financial costs in 2019 were equal to 206.2 million Baht, an increase of 72.6 million Baht from the previous year or 54.3 percent. The majority of the Company's debt in 2019 was the debentures acquired to purchase the non-performing loans from the financial institutions.

Net Profit

The Company had a net profit according to the consolidated financial statements in 2019 of 681.4 million Baht, an increase of 175.9 million Baht from 2018 or 34.8 percent, representing a net profit margin of 27.0 percent.

Financial Statements Analysis

	As of 31 Dec 2018		As of 31 Dec 2019		YoY	
	Mio.	%	Mio.	%	Mio.	%
Cash and Cash Equivalents	694.5	8.3%	316.7	3.1%	(377.8)	-54.4%
Reinsurance Assets	120.8	1.4%	207.6	5.7%	86.8	71.9%
Credit from Purchase of Receivables (Expected payment within 1 year)	470.8	5.6%	387.4	14.0%	(83.4)	-17.7%
Other Current Assets	1,024.4	12.2%	83.8	2.7%	(20.9)	-20.0%
Total Current Assets	2,310.6	27.6%	1,924.8	28.7%	(385.8)	-16.7%
Credit from Purchase of Receivables (Expected payment exceeding 1 year)	5,418.2	64.8%	7,533.2	74.3%	2,115.0	39.0%
Other Long-Term Investments	124.4	1.5%	134.0	1.3%	9.6	7.7%
Goodwill	273.8	3.3%	273.8	7.5%	-	0.0%
Other Non-Current Assets	236.5	2.8%	32.0	1.2%	20.8	185.7%
Total Non-Current Assets	6,052.8	72.4%	8,217.0	81.0%	2,164.2	35.8%
Total Assets	8,363.3	100.0%	10,141.7	100.0%	1,778.4	21.3%
Current Liabilities	1,654.1	19.8%	3,654.8	36.0%	2,000.7	121.0%
Debentures	2,706.2	32.4%	2,762.2	27.2%	56.0	2.1%
Non-Current Liabilities	3,242.4	38.8%	3,053.6	83.6%	(188.8)	-5.8%
Total Liabilities	4,896.5	58.5%	6,708.4	66.2%	1,811.9	37.0%
Total Shareholders' Equity	3,446.8	41.2%	3,433.3	33.9%	(13.5)	-0.4%

Assets

As of 31 December 2019, the Company had total assets of 10,141.7 million Baht, divided into current assets of 1,924.8 million Baht, representing 19 percent of total assets, and non-current assets of 8,217.0 million Baht, representing 81 percent of total assets. Compare with previous year, the Company total asset increased 1,778.4 million Baht or 21.3 percent increase. The major components of an increase were the Credit from Purchase of Receivables (Expected payment exceeding 1 year) which mainly was the bad debt purchased from financial institutions.

Liabilities

As of 31 December 2019, the Company had total liabilities of 6,708.4 million Baht, comparing to 2018, an increase of 1,811.9 million Baht or 37.0 percent. There were significant changes in 2019, namely the Company had issued new debentures and loan from financial institutions.

The debt to equity ratio and the interest-bearing debt to equity ratio as of 31 December 2019 were at 1.95 and 1.68 times respectively.

Liquidity

In 2019, the Company had a net decrease of cash and cash equivalents of 375.5 million Baht, divided into cash flow details for each activity as follows:

	2018	2019
Cash flow from operating activities	(897.6)	(1,435.8)
Cash flow from investing activities	(629.4)	(73.2)
Cash flow from financing activities	1,706.3	1,134.5
Net increase (decrease) in cash and cash equivalents	179.9	(375.5)

Cash flow from operating activities in 2019, the Company had net cash used in operating activities 1,435.8 million Baht, which was used to purchase the debt.

Cash flow from investing activities in 2019, the Company used cash from investment activities equal to 73.2 million Baht, which was used to purchased building and IT equipment.

Cash flow from financing activities 2019, the Company had net cash received from financing activities of 1,134.5 million Baht, mainly due to receiving cash flows from issuing debentures.

Factors and Operational Plan Affecting the Future Performance

The Company is committed to continually grow its earnings in 2020. In which factors are affecting future performance as follows:

1. For the situation of the NPLs market, the financial institutions have the direction to manage non-performing loans by increasing the write-off of non-performing loans and the direction of rising household debt.
2. IFRS 9: Financial instruments in which the Company involved in financial business must comply. With this standard, the method of revenue recognition of the Company shall change. Non-performing loans purchased from financial institutions, which are under IFRS9 standards, are considered to be purchased or originated credit loss impairment (POCI). The Company must estimate the cash flow from the said non-performing debt to calculate the effective interest rate that reduces the credit risk (Effective Interest Rate: EIR) to calculate the income that the

Company can recognize in each period. The Company was on the period of evaluation the impact on Financial Statement in 2020 which the year of apply the account standard.

3. There is a better direction for the insurance business. JP Insurance Public Company Limited has a better direction from the adjustment of operating strategies and the proportion of underwriting, resulting in the rate of the insurance claim is decreased.

Please be informed accordingly.

Sincerely yours,

- *Singed* -

(Mr. Wongsakorn Kittitrakulkarn)

Company Secretary

Mr. Panya Chutisiriwong

Group Investor Relations

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