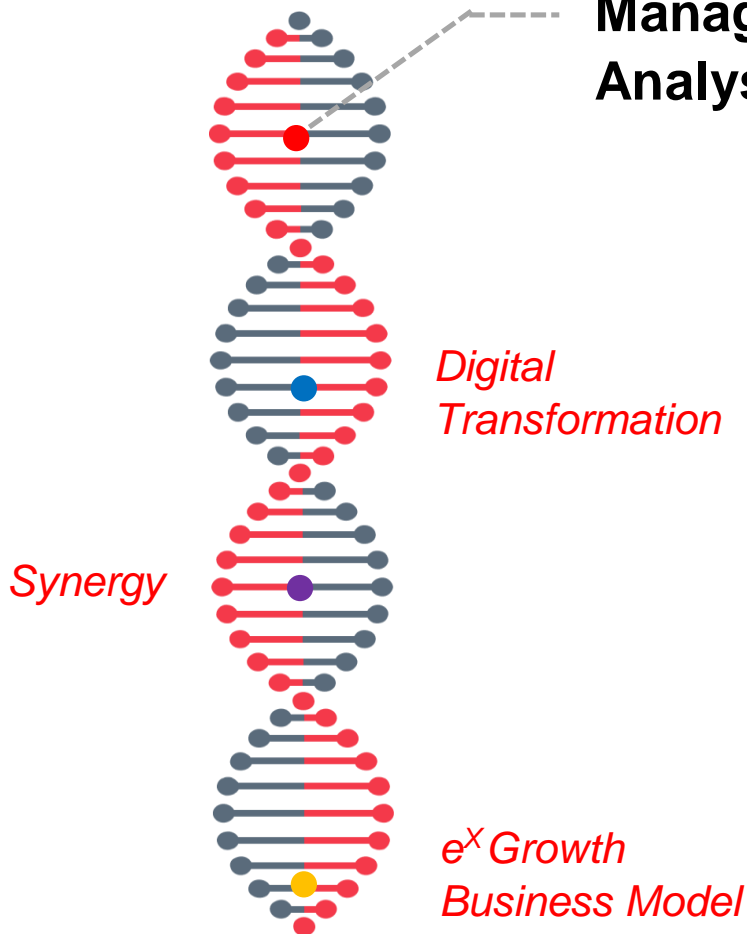


# JMART

## Management Discussion and Analysis Q2/2020



IR63/013

13 August 2020

Subject Management Discussion and Analysis for the second quarter ended 30 June 2020  
Attention President  
The Stock Exchange of Thailand

According to the resolution of the Board of Directors of Jaymart Public Company Limited ("Company") No. 8/2020 held on August 13, 2020. Resolved to approving the financial statements and operating results of the Company and subsidiaries for the second quarter ended June 30, 2020. This has been reviewed by the auditor of the company and with the following results.

### **Overview of Jay Mart Business Group in 2Q2020**

The company operates as a holding company has investments in retail and financial businesses. During the second quarter, the company passed the coronavirus outbreak ("COVID-19").

Although the situation of the COVID-19 epidemic has caused some businesses in the group to be affected by government policies. To close the mall and the closure of the country from the end of March until the beginning of May to prevent the spread of the virus. However, from the abovementioned situation, the management and employees of the Group have prepared a work plan, be united in operations to get through the situation. Which from the operating results have already shown that The COVID-19 action plan can mitigate the impact of the situation. And it is proven that the business model of a company with diversification of investment risk make the impact of COVID-19 at a level that the company can manage.

### **Highlights of the company's performance in the second quarter of 2020 (Quarterly Profit New High)**

The Company and its subsidiary (JMT Network Services) recorded the highest record of quarterly performance. And Associated Company (Singer Thailand) had a performance that has grown more than 1 times in the past year 2019. And a quarterly net profit the highest since 2013. The Company unveils Q2/2020 net profit 161 million Baht which increase from the same quarter last year at 17%.

**Net Profit Q2/2020 and Half Year 2020 Net Profit**

Unit: Million Baht	Quarter		Growth rate (%)	6 Months		Growth rate (%)
	Q2/2019	Q2/2020		6M/2019	6M/2020	
JMART	137	161	17%	255	266	4%
JMT (JMART holds 52.6%)	149	227	52%	293	435	48%
Singer (JMART holds 30.3%)	53	115	117%	93	202	117%

For the performance of the company and subsidiaries consolidated financial statements for 6 months of 2020. The company net profit of 266 million baht, an increase of 10 million baht from the 6-month period of 2019 or an increase of 4% by operating results in the second quarter of 2020. Caused by the growth of non-performing debt management business and the growth of associates company, Singer Thailand. This has an outstanding performance growth. In addition, the company can plan operations, reduce operating costs to get through the range of Lock Downs in other major businesses. It can generate earnings to remain profitable in both the mobile distribution business, personal loan business and real estate development business.

The details of the operating results of each business line and the direction of future earnings explain as follows:

**1. Mobile phone and accessories distribution business**

Mobile phone and accessories distribution business under the operation of Jaymart Mobile Company Limited ("Jay Mart Mobile"). In the past Q2/2020, the company closed branches following the closure of department stores with the lock down policy of the government. This is a period starting from the end of March 2020 until the beginning of May 2020. However, during that period The Company has prepared a plan for dealing with the situation. This has expanded sales channels through more online. In addition, Jaymart Mobile has also made significant cost cuts such as space rents, staff fees and other expenses in

operation. In which selling and administrative expenses has significantly reduced compared to the normal operating range by reducing more than 70 percent during the period of locking down.

After the government eased the lock down measure, businesses could resume normal operations in mid- May 2020. Which after the opening of the shopping center The Company has returned sales close to the normal level. With mobile phone sales in Q2/2020 is 1,340 million baht. And net profit from operations in Q2/2020 is equal to 8.0 million baht.

The company has a view on the direction of performance during the second half of 2020 that the 5G technology starting to be used in Thailand and the release of new flagship mobile products of major mobile brands. This will make the company's sales still have a good direction. And the company reduced significant expenses for administrative expenses will make the results of the whole year 2020 meet the target.

## 2. Personal loan business

Personal loan business under the operation of J Fintech Company Limited in the past affected by the coronavirus situation some in the collection of debt during Lock Down. However, under the accounting practice, Subject: Temporary relief measures for additional accounting options to address the impacts of the Coronavirus Disease (COVID-19) situation. As a result, J Fintech has guidelines for assisting the debtor according to the policy guidelines from the government department. Making the impact of the COVID-19 situation at a manageable level. J Fintech's outstanding balance of loan as of the end of Q2/2020 is 3,487 million baht. This grows not much because the company has been cautious in lending to potential customers to pay back.

In terms of debt collection, J Fintech maintains a relatively good debt collection rate. By collecting normal debt (Normal + Xday) has an average of 96.1% in Q2/2020. This is the average close to the previous quarter of 2019. As for debt collection that has been written-off (Bad Debt Recovery) in the

second quarter of 2020, the amount of collection increased. With the collection amount from bad debt written off, this is recorded as income 26.4 million baht. The overall NPL Ratio of the company is 7.79 as of Q2/2020.

## 3. Non-performing debt management business

Non-performing debt management business, which is under the operation of JMT Network Services Public Company Limited ("JMT"). Despite the COVID-19 situation, JMT's earnings can still grow. Due to the collection of cash flows from receivables not significantly affected. In the second half of 2020, JMT's operating results continue to grow steadily. And have the opportunity to purchase additional debt from financial institutions. The company has prepared a financial plan for the acquisition of the said debt.

## 4. Real estate development business

Real estate development business under the operation of JAS Asset Public Company Limited ("JAS"). With operating results for the Q2/2020 with net profit 4.7 million baht. The company closed some shopping centers during the government announcement of Lock Down. During which the shopping center is closed the company has remedies for retail stores in the field of rental discounts or not collecting rent that causes some income to be reduced. However, the company immediately reduced the cost, in terms of rental costs and administrative costs, employee cost adjustments and utility costs. This puts the impact at a manageable level.

In the third quarter of 2020, the company started operation of a new shopping center project, JAS Village Amata Nakorn. This has started Soft Opening the new shopping center has more than 95 percent of tenants occupation rate, which will gradually open stores by 2020, creating a stream of rental income in second half of 2020.

### 5. Electrical appliance distribution business line with hire purchase loan

Under the circumstances of the Lock Down, Singer Thailand Public Company Limited (“Singer”) has achieved great success in building a history of seasonal sales especially the sale of air conditioners during April and May 2020. The company has quite a lot of sales and delivery of Air Condition products, resulting in an increase in sales profit margin. And from the expansion of car registration loans currently, there is a loan portfolio of the car registration pledge group 4,657 million baht. (54%

hire purchase loan and 46% vehicle registration loan) Causing Singer to earn higher interest income and there was a decrease in NPL due to adjusting the proportion of credit portfolio to have more quality. NPLs in the group of auto registration loans are less than 1%. This enabled Singer to return to a stable performance in the first half of the year, there was a profit of 202 million baht, which is greater than the full year turnover of the year 2019.

#### How did JMART get through the COVID-19 crisis?

**1. Business Model of JMART** It is a holding that has investments in businesses that have great economic friction. Or have resilience to economic conditions. During the COVID period, JMART had a very strong business group including JMT and Singer.

**2. Adaptive Expectation** The management has Lock down anticipated and ongoing discussions between the group companies. Sharing of resources and operating with a Business Continuity Plan (BCP) - we know what to control.

**3. Cash Flow Management** Manage cash flow so that the Group and its subsidiaries have sufficient cash flow for their operations. Negotiations with financial institutions as business partners to ensuring the performance of the group of companies in the future.

## Performance summary

Operating results for the second quarter of 2020 has clearly confirmed the growth of Jaymart Group and the details of the operating results of the Group are as follows:

	Q2/2019	Q2/2020	Change		6M/2019	6M/2020	Change	
			Value	%			Value	%
Revenue from contracts with customers	1,837.2	1,413.2	-424.1	-23.1%	3,780.8	3,127.1	-653.7	-17.3%
Interest income from purchase receivables	529.6	575.1	45.5	8.6%	1,079.2	1,127.7	48.5	4.5%
Profit from loans on purchase of receivables	127.8	221.8	94.0	73.5%	216.1	454.6	238.5	110.3%
Rental income	116.5	49.7	-66.9	-57.4%	240.7	143.3	-97.4	-40.5%
Income from insurance	45.1	66.4	21.3	47.2%	82.4	137.8	55.3	67.1%
<b>Total revenue from sales and services</b>	<b>2,656.3</b>	<b>2,326.1</b>	<b>-330.2</b>	<b>-12.4%</b>	<b>5,399.2</b>	<b>4,990.5</b>	<b>-408.7</b>	<b>-7.6%</b>
Cost of sales	1,449.7	1,211.5	-238.3	-16.4%	3,024.8	2,596.6	-428.2	-14.2%
Cost of service	240.5	222.3	-18.2	-7.6%	448.8	453.9	5.2	1.2%
Rental cost	143.9	7.9	-135.9	-94.5%	292.7	46.9	-245.8	-84.0%
Underwriting expenses	59.6	51.3	-8.3	-13.9%	92.2	110.7	18.6	20.1%
<b>Total cost of sales and services</b>	<b>1,893.7</b>	<b>1,493.0</b>	<b>-400.7</b>	<b>-21.2%</b>	<b>3,858.5</b>	<b>3,208.2</b>	<b>-650.3</b>	<b>-16.9%</b>
Gross profit	762.6	833.1	70.5	9.2%	1,540.7	1,782.3	241.6	15.7%
Promotional income	80.6	36.0	-44.5	-55.3%	142.4	105.3	-37.0	-26.0%
Selling and distribution expenses	235.8	114.3	-121.5	-51.5%	458.2	315.4	-142.8	-31.2%
Administrative expenses	321.0	369.4	48.4	15.1%	662.9	805.0	142.1	21.4%
Operating profit	336.8	420.5	83.7	24.8%	681.3	773.0	91.7	13.5%
Financial cost	130.1	147.0	16.9	13.0%	250.3	297.3	47.0	18.8%
Income tax expense	39.0	36.6	-2.4	-6.2%	92.5	74.9	-17.6	-19.0%
<b>Net profit attributable to shareholders</b>	<b>137.0</b>	<b>160.7</b>	<b>23.7</b>	<b>17.3%</b>	<b>255.3</b>	<b>265.5</b>	<b>10.2</b>	<b>4.0%</b>

### Revenues analysis

The company's total revenue for the second quarter of 2020 is 2,326.1 million baht decreased from the same period of the previous year 330.2 million baht or a 12.4% decrease. And for the total income for 6 months of the year 2020 is 4,990.5

million baht. Decreased 408.7 million baht or decreased 7.6% with the following reasons:

1. Revenue from contracts with customers in 2Q/2020 is 1,413.2 million baht with a decrease 23.1% from the same period of the previous year and for the income from sales for 6 months of 2020

is 3,127.1 million baht decreased 17.3% partly due to the Lock Down situation.

2. Interest income from purchase receivables and gains on loans from purchases of receivables. This is income from the debt management business in Q2/2020 is 796.9million baht increase 139.5 million baht or an increase of 21.2% while income from debt collection and other services for the six-month period of 2020 is 1,582.3 million baht or increase 22.2%. Due to the subsidiary JMT has a significant increase in the income of the debts that have been written off.

3. Rental and service income in the second quarter of 2020 is 49.7 million baht or decrease 57.4% while the rental and service income for the 6 months is 143.3 million baht decrease 40.5%. As a result of the decreased number of IT Junction branches.

4. Underwriting income in the second quarter of 2020 is 66.4 million baht or grows at 47.2% while income in the six-month period is 137.8 million baht or grows at 67.1% which has grown from more aggressive marketing to expand the underwriting of non-motor vehicles more.

### Gross profit

The company has gross profit according to the consolidated financial statements for the second quarter of 2020 is 833.1 million baht and increase of 70.5 million baht or an increase of 9.2% from the same period of the previous year. This is the

gross profit margin (Including promotional revenue) equal to 35.8 percent, an increase of 7.1 compared to the same period of the previous year.

The gross profit for the six months of 2020 is 1,782.3 million baht increase 241.6 million baht or increase 15.7%. Due to the performance of the company and subsidiaries increased as income increased especially in the part of the non-performing debt collection business and hire purchase business in associated companies.

### Selling and Administrative Expenses

The Company has selling and administrative expenses from the consolidated financial statements for the second quarter of 2020 is 483.7 million baht decreased 73.1 million baht or decreased 13.1%. When compared with the same period of the previous year, for the six-month period, the Company had selling and administrative expenses are 1,120.3 million baht. Close to the same period when compared with the same period last year. This was due to the reduction of expenses related to rental, employee expenses, sale promotion expenses and non-performing debt reserves.

### Analysis of Financial Positions

#### Assets

As of 30 June 2020, the Company has total assets the amount shown in the consolidated financial statements was 23,768.0 million baht, an increase from the end of 2019 by 3,395.2 million baht or 16.7% due to increased cash from fund raising

through the issuance of debentures, companies in the investment group bought more distressed debt of JMT's investment and an increase in investment properties in its subsidiary JAS Asset.

### Liabilities and shareholders' equity

As of 30 June 2020, The Company has total liabilities 18,322.4 million baht increased from the end of 2019 3,182.1 million baht or 21.0% as

Please be informed accordingly.

Yours faithfully,

- Singed -

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Investor Relations

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companies in the group issue more debentures while the shareholders' equity increased 5,445.5 million baht. The company has a debt to equity ratio of 3.36 times and a debt bearing interest to equity ratio of 2.49 times.

### Jaymart, Business DNA to grow

#### Synergy + Technology

In addition to the Mobile Distribution Business (JMB), the businesses that Jaymart has invested in and that are likely to grow in the future are:

1. Non-performing debt management business (JMT) It was a business that grew well during the recession. It is an opportunity to buy debt. For a good economy, it is an opportunity to collect more debt.
2. Personal Loan Business (J Fintech) and hire purchase loan (Singer). It is an opportunity to use the technology of Fintech to develop.
3. Retail, rental space and coffee shops (Beans and Brown: BB), which will gradually build a base for future growth.
4. Expanding distribution channels through Singer, an associated company with opportunities to create channels to reach consumers in all sub-districts and districts in the country.

Application development and using Fintech into business Developed by "J Ventures", a company that will prepare Digitization for the Group, Jaymart believes that disruption will occur in business in the near term. Shareholder Meeting (AGM Blockchain) and Digital Lending.

JMART also has a number of digital projects to be launched this year, such as developing e KYC, e Signature and e Contract, in an effort to coordinate with authorities. In order to develop technology to happen in Thailand.