



IR63/016

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 JMT Network Services Public Company Limited ("the Company") No.5/2020 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.

Performance Highlights and overall operating results in the second quarter of 2020

- Quarterly earnings continue to grow which is the highest quarterly profit statistics. The net profit report 226.9 million Baht in Q2/2020.
- The company had the same amount of collection in the first half of the year 1,699 million baht increase 20% compared with the same period last year the said collection increased from the previous quarter of 2020.
- In the past 6 months, the company has bought a total debt 1,983 million baht and the total non-performing debt portfolio value at the end of Q2/2020 is 189,156 million baht. It is the number one leader in the country's non-performing debt portfolio in unsecured debt.
- The growth of the non-performing debt portfolio increased in Q2/2020, with the total value of the non-performing debt portfolio amounting to 42,781 million baht. Increased from Q1/2020 by 5,712 million baht, which will be an important source of income for the company in the future.

Economic and industry overview and Forward Looking

In the past Q2/2020, it was acknowledged that the government of Thailand had to announce the closure of the country and take measures to lock down. In order to reduce the spread of the new corona virus (COVID-19) has made the Thai economy as a whole, significantly impacted by the situation. Which many departments and many research agencies have forecast that gross domestic product will shrink by more than two digits. In additional it will affect the operating results of financial

institutions which are directly related to the company in terms of purchasing non-performing debt.

As a result of financial institutions' performance in the past Q2/2020, many financial institutions have increased their NPL to total loan ratio. The company has a positive view of the situation in terms of purchasing additional non-performing debt. Due to the company has the potential of investment capital, debt collection systems and human resources in operation. Including being a business partner with financial institutions in help keep track of debt and restructuring the debtor's debt to be able to have the ability to finance normally.

Performance of the Company and its subsidiaries for the second quarter of 2020 the consolidated financial statements had a net profit of 226.9 million baht. An increase from the second quarter of 2019 by 52.9%, or equivalent to a net profit margin of 29.8%. For the performance of the company and subsidiaries consolidated financial statements for 6 months of 2020. The company had a net profit of 433.8 million baht, an increase from the six-month period of 2019 by 48.0 percent or equivalent to a net profit margin of 28.4 percent. Due to the company earns more from the debt collection from the receivables. Especially in this group that has fully amortized of the investment value. The detail of the Company's operating results Details as follows:

Performance summary (Summary Table)

Unit: Million Baht

| | Q2/2019 | Q2/2020 | %change | 6M/2019 | 6M/2020 | % change |
|--|--------------|--------------|--------------|----------------|----------------|--------------|
| Revenue from contracts with customers | 91.8 | 87.0 | -5.2% | 181.7 | 184.1 | 1.3% |
| Interest income | 327.6 | 386.8 | 18.1% | 664.0 | 749.6 | 12.9% |
| Dividend income | 0.8 | 0.4 | -48.9% | 1.3 | 0.8 | -40.8% |
| Profit from loans on purchase of receivables | 126.6 | 221.8 | 75.2% | 214.9 | 454.6 | 111.6% |
| Income from insurance | 45.1 | 66.4 | 47.2% | 82.4 | 137.8 | 67.2% |
| Total income | 591.8 | 762.4 | 28.8% | 1,144.3 | 1,526.8 | 33.4% |
| Cost of service | 229.2 | 209.8 | -8.5% | 426.4 | 426.4 | 0.0% |
| Underwriting expenses | 59.6 | 51.3 | -13.9% | 92.2 | 110.8 | 20.1% |
| Gross profit | 303.2 | 501.4 | 65.4% | 625.7 | 989.7 | 58.2% |
| Administrative expenses | 95.9 | 102.1 | 6.4% | 188.3 | 207.2 | 10.0% |

| | Q2/2019 | Q2/2020 | %change | 6M/2019 | 6M/2020 | % change |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Reversal of credit losses | - | 60.2 | 100.0% | - | 110.0 | 100.0% |
| Operating profit | 217.7 | 347.3 | 59.5% | 452.2 | 665.2 | 47.1% |
| Financial cost | 45.3 | 76.7 | 69.3% | 86.5 | 145.0 | 67.6% |
| Income tax expenses | 35.1 | 40.1 | 14.2% | 86.8 | 93.0 | 7.1% |
| Net profit in equity | 148.5 | 226.9 | 52.9% | 293.0 | 433.8 | 48.0% |

Total Revenues Analysis

The Company's total revenue for the second quarter of 2020 is 762.4 million baht increased from the same period of the previous year 170.6 million baht or an increase 28.8%. While the total revenue for 6 months of 2020 is 1,526.8 million baht increased from the same period of the previous year 382.5 million baht or an increase 33.4%.

Details of the change in revenue are as follows:

1. Income from contracts with customers in the second quarter was 87.0 million baht slightly reduced 4.8 million baht or decrease 5.2% and for the 6 months of 2020 is 184.1 million baht increased 2.4 million baht or 1.3% from last year.

2. Interest income and profit on purchase loans is 608.6 million baht increased 154.4 million baht or increased 34% and for the 6 months of 2020 is 1,204.2 million baht increased 325.3 million baht or 37%. From the same period last year with better collection efficiency and the revenue recognition of the non-performing debt portfolio that fully eliminates the investment value. The acquired

debt collection revenue is 79% of the company's total income.

3. The acquired debt collection revenue is 79% of the company's total income. 66.4 million baht increased from the same period last year 47.2%. And for the six-month period of 2020 the company has income from the insurance business is 137.8 million baht or increased 67.2% as a result of the company being able to expand its business in the insurance segment.

Six months of total revenue growth of 2020 is consistent with the revenue growth goals it has set although the company went through the situation of COVID-19. The company is also considered to be able to adjust the work process to be able to operate in accordance with the goals set.

Cost of service

The company has service cost for the second quarter of 2020 is 209.8 million baht decrease 19.4 million baht or decrease 8.5% compared with the same quarter of the previous year. And for the 6 month period of 2020, the cost of service is 426.4 million baht which is close

to last year. If it is proportionate to income The Company has good human resource cost management by adopting technology.

In the process of debt collection has increased and the company has underwriting expenses 51.3 million baht decreased from the same period of the previous year 13.9%. For the six-month period, the underwriting expenses increased 20.1% due to an increase in sales of the insurance business.

Gross profit

The company has gross profit according to the consolidated financial statements for the second quarter of 2020 501.4 million baht increased 198.2 million baht or increased 65.4% while gross profit according to the consolidated financial statements for the six months of 2020 is 989.7 million baht with the gross profit margin 64.8%. However, if the gross profit proportion is calculated separately for the non-performing debt management business, the gross profit margin is 70%.

Administrative expenses

The Company has administrative expenses for the second quarter of 2020 is 102.1 million baht increased 6.1 million baht or 6.4%. And for administrative expenses for 6 months of 2020

is 207.2 million baht increased 18.9 million baht increased 10% due to the increasing employee compensation from the expansion of debt collection business.

Financial Summary

Asset

As of 30 June 2020, the Company has total assets 12,921.6 million baht increased from the end of 2019 2,780.0 million baht or 27.4%. Due to the company has higher cash and cash equivalents from the issuance of debentures. And there is a non-performing debt that the company has bought in the first half of the year.

Liabilities and equity

As of 30 June 2020, the Company has total liabilities 9,319.1 million baht increased from the end of 2019 2,610.7 million baht or 38.9% Due to the increase in trade payables from the purchase of non-performing debt. And the company has issued debentures increase in the past 2 quarter while the shareholders' equity is 3,602.5 million baht increased 169.2 million baht from the end of 2019 as a result of dividend payment from retained earnings. The company has a debt to equity ratio of 2.59 times while the ratio of debt bearing interest to equity is 1.95 times.

Please be informed accordingly.

Yours faithfully,

- *Singed* -

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