

9 November 2022

Subject Management Discussion and Analysis

Financial Performance for the Q3/2022 period ended September 30, 2022.

To President  
The Stock Exchange of Thailand

TQR Public Company Limited (“the Company”) provides Management Discussion and Analysis for the Q3/2022 period ended September 30, 2022, as follows:

### Service Income

For the three-month period ended September 30, 2021 and 2022, the company had service income of THB 62.50 million and THB 53.04 million, respectively, service income decreases by THB 9.46 million or a decrease of 15.14% from the same period last year mainly from the decrease in service income from Alternative Business.

The company service income in 2022 consists of 3 segments as follow:

Items	The types of the company business for the three-month period ended September 30,					
	2021		2022		Change	
	MB	%	MB	%	MB	%
1. Traditional Business	18.74	29.98	21.39	40.33	2.65	14.14
2. Alternative Business	43.76	70.02	30.88	58.22	(12.88)	(29.43)
3. Other Business	-	-	0.77	1.45	0.77	100
Total Service Income	62.50	100.00	53.04	100.00	(9.46)	(15.14)

For the three-month period ended September 30, 2021 and 2022, the company had service income from Traditional Business of THB 18.74 million and THB 21.39 million, respectively, increased by THB 2.65 million or 14.14% from the same period last year. The increase is mainly due to an increase of Industrial All Risks reinsurance contracts.

For the three-month period ended September 30, 2021 and 2022, the services income of Alternative Business was THB 43.76 million and THB 30.88 million, respectively, decreased by THB 12.88 million or 29.43% from the same period last year. The decrease derived from license revocation of some insurance companies effected by Covid- 19 impact.

Other Business is the revenue from subsidiary company which operates packaged software service provider.

For the nine-month period ended September 30, 2021 and 2022, the company had service income of THB 171.10 million and THB 168.79 million, respectively, service income decreases by THB 2.31 million or a decrease of 1.35% from the same period last year mainly from the increase in service income from Traditional Business and Alternative Business.

Items	The nature of the business for the nine-month period ended September 30,					
	2021		2022		Change	
	MB	%	MB	%	MB	%
1. Traditional Business	62.29	36.41	69.01	40.89	6.72	10.79
2. Alternative Business	108.81	63.59	98.43	58.32	(10.38)	(9.54)
3. Other Business	-	-	1.35	0.79	1.35	100
Total Service Income	171.10	100.00	168.79	100.00	(2.31)	(1.35)

For the nine-month period ended September 30, 2021 and 2022, the company had service income from Traditional Business of THB 62.29 million and THB 69.01 million, respectively, increased by THB 6.72 million or 10.79% from the same period last year. The increase is mainly due to an increase of Industrial All Risks.

For the nine-month period ended September 30, 2021 and 2022, the services income of Alternative Business was THB 108.81 million and THB 98.43 million, respectively, decreased by THB 10.38 million or 9.54% from the same period last year. The decrease derived from license revocation of some insurance companies effected by Covid-19 impact, that effect more than increase of non-motor insurance group, especially from Special type of insurance such as Property, Director's & Officer's Insurance, Medical Malpractice Liability Insurance and Cyber.

Other Business is the revenue from subsidiary company which operates packaged software service provider.

#### Other income

Other income consists of interest income, gain from exchange rate and reverse allowance of loss to other income. For the three-month period ended September 30, 2021 and 2022, the company had other income of THB 0.98 million and THB 0.50 million, respectively. Other income decreased by THB 0.48 million or 48.98% from the same period last year. For the nine-month period ended September 30, 2021 and 2022, the company had other income of THB 28.81 million and THB 6.15 million, respectively. Other income decreased by THB 22.66 million or 78.65% from the same period last year. The mainly from during 2021, the company has reversed provision amounting to 27.24 million to other income. The provision arose in 2018 when the Company was in a dispute over a

compromised business email case and this caused the foreign reinsurer partner not to receive the funds. The company has already followed up a shortfall and continuously reported on progress to the reinsurer partner and the Company was not obliged to indemnify the reinsurer partner against the damages.

#### **Cost of services**

As the company is a service business, the main cost of service are mainly employees, who have expertise in Insurance and Reinsurance Business. Therefore, cost of service of the Company comprises of wages, bonus, social security fund contribution and provident fund contribution for Client-Facing employees.

For the three-month period ended September 30, 2021 and 2022, the company had cost of services of THB 13.52 million and THB 13.66 million, respectively, increase by THB 0.14 million or 1.04% from the same period last year.

For the nine-month period ended September 30, 2021 and 2022, the company had cost of services of THB 41.30 million and THB 39.42 million, respectively, decreased by THB 1.88 million or 4.55% from the same period last year.

#### **Gross Profit**

For the three-month period ended September 30, 2021 and 2022, the company had gross profit of THB 48.98 million and THB 39.37 million, with 78.37 % gross margin and with 74.24% gross margin, respectively. The gross margin decreasing came from the service income of company decrease from covid-19 impact, while the cost of services was fix cost, that not variance decrease through service income.

For the nine-month period ended September 30, 2021 and 2022, the company had gross profit of THB 129.80 million and THB 129.36 million, with 75.86 % gross margin and with 76.64% gross margin, respectively. The gross margin increasing came from cost of head count decreasing for Client-Facing employees decreasing more than decreasing of service income from Traditional Business and Alternative Business, so gross profit was increasing. However, the company have recruited for that replacement.

#### **Selling Expenses**

Selling expenses is mainly a sales promotion paid to the external introducer for Alternative Business. For the three-month period ended September 30, 2021 and 2022, the company had selling expenses of THB 1.33 million and THB 1.73 million, respectively, increased by THB 0.40 million or 29.68%.

Selling expenses is mainly a sales promotion paid to the external introducer for Alternative Business. For the nine-month period ended September 30, 2021 and 2022, the company had selling expenses of THB 4.24 million and THB 3.49 million, respectively, decreased by THB 0.75 million or 17.60% since in Q1'22 there is a consideration to postpone the sale promotion and wait to see the economic conditions to adjust accordingly.

**Administrative Expenses**

For the three-month period ended September 30, 2021 and 2022, the company administrative expenses were THB 12.29 million and THB 13.62 million, respectively. The administrative expenses increased by THB 1.33 million or 10.79%, from the same period last year.

For the nine-month period ended September 30, 2021 and 2022, the company administrative expenses were THB 38.06 million and THB 43.00 million, respectively. The administrative expenses increased by THB 4.94 million or 12.98%, from the same period last year mainly from the increase of amortized software and Extraordinary General Meeting.

**Income tax expenses**

For the three-month period ended September 30, 2021 and 2022, the company had income tax expenses of THB 7.55 million and THB 5.09 million, respectively. The increase of THB 2.46 million.

For the nine-month period ended September 30, 2021 and 2022, the company had income tax expenses of THB 18.28 million and THB 17.75 million, respectively. The increase of THB 0.52 million was in proportion to the increase of company profit.

**Net Profit**

For the three-month period ended September 30, 2021 and 2022, the company net profit was THB 28.57 million (45.01 % of sales), and THB 19.26 million (35.98 % of sales), respectively. The decrease in net profit by THB 9.31 million or 32.57% from the same period last year, resulted from in 2021, they have reversed provision amounting to 27.24 million to other income.

For the nine-month period ended September 30, 2021 and 2022, the company net profit was THB 97.50 million (48.77 % of sales), and THB 70.73 million (40.43 % of sales), respectively. The decrease in net profit by THB 26.77 million or 27.46% from the same period last year, resulted from in 2021, they have reversed provision amounting to 27.24 million to other income, however, they have net profit from gross profit of service income increasing.

Yours sincerely,

*- Mr. Chanaphan Piriayaphan -*

(Mr. Chanaphan Piriayaphan)

Chief Executive Officer