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No. TA0071165

14 November 2022

Subject: Management Discussion and Analysis for 3Q22

Attention: President

Stock Exchange of Thailand

TQM Alpha Public Company Limited and subsidiaries ("the Company") would like to clarify the operating results ending 30 September 2022, which was reviewed by the licensed auditors as follows:

### **Business Overview**

In accordance with the statistics of the Office of Insurance Commission (OIC), the total non-life insurance premium from January to June 2022 was Baht 132,741 million, increasing by 2.10% YoY, with details as follows:

Nonlife Direct Premium : (All)		Year To Date		
		2021Q2	2022Q2	Change%
Million Baht	Nonlife Total	130,007	132,741	↑ +2.10%
	Fire	5,514	5,325	↓ -3.42%
	Hull	266	254	↓ -4.51%
	Cargo	2,897	3,299	↑ +13.88%
	Compulsory auto	9,581	9,640	↑ +0.61%
	Voluntary auto	62,945	65,813	↑ +4.56%
	IAR & Property	12,750	14,664	↑ +15.01%
	Liability	1,581	1,758	↑ +11.22%
	Accident	16,871	16,216	↓ -3.88%
	Health	10,909	8,199	↓ -24.84%
	Travel	367	1,243	↑ +238.56%
	Bail bond	71	72	↑ +1.91%
	Others	6,255	6,258	↑ +0.05%

Unit: million Baht

Source: OIC, Q2/2022 Summary of Non-life insurance business

Figure1 Non-life insurance premium details by policy types

Life insurance premium for first year premium, renewal year premium, and single premium was Baht 288,991 million, decreasing by 1.93% YoY with details as follows:

Life premium by payment : (All)		Year To Date		
		2021Q2	2022Q2	Change%
Million Baht	Life Total	294,667	288,991	↓ -1.93%
	First year premium(FYP)	46,330	49,622	↑ +7.11%
	Renewal year premium(RYP)	210,978	209,252	↓ -0.82%
	Single Premium(SP)	37,359	30,117	↓ -19.38%

Unit: million Baht

Source: OIC, Q1/2022 Summary of Life insurance business

Figure 2 Life insurance premium details by policy types

In 3Q22, Thai economy continued to recover from last quarter, in terms of consumption, private investment and production, as well as service sector that recovered from an increasing number of foreign tourists.

As for TQM, 3Q22 performance also grew along with economic recovery and growth of non-life insurance industry. The company also has a view that the performance has already bottomed out in 2Q22. In 3Q22, motor insurance grew as the economy picked up, accident and health insurance also saw a good momentum because customers realized the importance of coverage on medical expenses although concerns on COVID-19 relieved. In this quarter, home insurance saw a remarkable sales increase when TQM built an awareness and understanding in the comprehensive coverage of the product. The interest from customers has increased because the third quarter of the year is a rainy season in Thailand with higher risks of flooding and roof damage. As for travel insurance, it is expected that sales growth should be from outbound tourism that the growing trend should be clearer in the 4<sup>th</sup> quarter.

Easy Lending business continued to be well accepted by customers who bought insurance from TQM. Also, its financial cost is quite low from an efficient risk management. Moreover, Easy Lending plans to expand the business with potential partnership to offer more financial products in the future.

In 4Q22, it is expected that TQM should continue to grow with a high season of motor and health insurance. Sales from health, home and travel insurance together should compensate COVID-19 insurance from 2021. TQM aims for Group's total premium sales target of Baht 29,000 million.

TQM focuses on optimizing profit margin by taking into account an efficient cost & expenses management, and targeting on more profitable segments. TQM continues its strategy to meet customers' demand beyond insurance, with financial solution and technology platform to support the sustainable growth of the company's performance.

### Major developments in 3Q22

1. On 3 August 2022, the Board of Directors' meeting No. 5/2565 approved the entering into the sales and purchase agreement to acquire shares of Builk One Group Company Limited of 486,907 shares or 40.00% of issued and sold shares of Builk One Group, totaling approximately Baht 247.09 million. The objectives of the transaction were to expand the business by leveraging Builk's platform and customer base, and to develop technology with Builk's expertise. The transaction was completed on 23 September 2022.
2. On 11 August 2022, the Board of Directors' meeting No. 6/2565 approved the interim dividend payment from the financial statements of 1 January to 30 June 2022 of Baht 0.70 per share, 600 million shares, amounting Baht 420 million. The payment date was on 9 September 2022
3. On 23 August 2022, TQM Corporation PLC. changed its name to TQM Alpha PLC.

### Financial highlights of 3Q22 compared to 3Q21, and 9M22 compared to 9M21

unit: million Baht

Description	3Q22	3Q21 (restated)	Change	9M22	9M21 (restated)	Change
Service revenue	<b>895.4</b>	831.8	7.6%	<b>2,667.6</b>	2,604.9	2.4%
Other revenue	<b>30.0</b>	83.6	-64.1%	<b>80.2</b>	150.9	-46.8%
Total revenue	<b>925.4</b>	915.4	1.1%	<b>2,747.8</b>	2,755.8	-0.3%
Service costs	<b>432.3</b>	391.1	10.5%	<b>1,251.6</b>	1,215.9	2.9%
Gross profit	<b>463.1</b>	440.7	5.1%	<b>1,416.0</b>	1,389.0	1.9%
Administrative expenses	<b>223.4</b>	202.5	10.3%	<b>687.0</b>	605.9	13.4%
Net profit	<b>213.1</b>	270.3	-21.2%	<b>643.3</b>	761.5	-15.5%
Net profit – owners of parent	<b>205.9</b>	242.9	-15.2%	<b>599.4</b>	666.3	-10.0%
Earnings per share (Baht)	<b>0.34</b>	0.40	-15.0%	<b>1.00</b>	1.11	-9.9%
Normalized net profit	<b>213.1</b>	206.5	3.2%	<b>643.3</b>	697.7	-7.8%
Normalized net profit – owners of parent	<b>205.9</b>	179.1	15.0%	<b>599.4</b>	602.5	-0.5%

\*Note: normalized profit excludes one-off gain from a bargain purchase of Baht 63.8 million in 3Q21

**\*\* In 2Q22, upon the completion of TQR share acquisition transaction, total TQR's performance was consolidated to TQM's financial statement based on common control basis. Previous financial statements were restated for comparison purpose. \*\***

## **Analysis of 3Q22 performance compared to 3Q21**

### **Revenue**

- Service revenue of 3Q22 was Baht 895.4 million, compared to Baht 831.8 million in 3Q21, increasing by 7.6% from an increase in overall insurance sales.
- Total revenue of 3Q22 was Baht 925.4 million, compared to Baht 915.4 million, increasing by 1.1%. In 3Q21, a gain from bargain purchase of subsidiaries of Baht 63.8 million in other revenue, and revenue from COVID-19 insurance of Baht 18.6 million were booked. When excluding the one-off item, 3Q22 total revenue increased by 11.1%.

### **Cost and expenses**

- Service cost was Baht 432.3 million, increasing by 10.5% along with the increasing revenue. The percentage of service cost compared to total revenue was 46.7%, increasing from 42.7% last year.
- Administrative expenses were Baht 223.4 million, increasing by 10.3%, mainly from the internal improvement with new hires to support growing business, as well as new businesses that generated revenue and profit.
- The percentage of administrative expenses compared to total revenue was 24.1%, increasing from 22.1% last year.

### **Profit**

- Gross profit was Baht 463.1 million, increasing by 5.1%.
- Net profit – owners of parent was Baht 205.9 million, decreasing by 15.2%. However, when excluding one-off gain from bargain purchase of Baht 63.8 million in 3Q21, the normalized net profit – owners of parent increased by 15.0% from last year due to an increase in revenue and good profitability in normal business.

Please be informed accordingly

Sincerely yours

- Signature -

(Miss Somporn Ampaisutthipong)

Chief Financial Officer

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