

No. TA0080266

28 February 2023

Subject: Management Discussion and Analysis for Full Year 2022

Attention: President, Stock Exchange of Thailand

TQM Alpha Public Company Limited and subsidiaries ("the Company") would like to clarify the operating results ending 31 December 2022, which was reviewed by the licensed auditors as follows:

Business Overview

According to statistics from the Office of Insurance Commission (OIC), the total non-life insurance premium for January to December 2022 was 274,216 million Baht, representing a 4.35% YoY increase. The details are as follows:

Nonlife Direct Premium : (All)		Year To Date		
		2021Q4	2022Q4	Change%
Million Baht	Nonlife Total	262,795	274,216	↑ +4.35%
	Fire	10,355	9,868	↓ -4.70%
	Hull	465	516	↑ +11.06%
	Cargo	5,853	6,486	↑ +10.81%
	Compulsory auto	18,634	19,114	↑ +2.58%
	Voluntary auto	128,772	135,772	↑ +5.44%
	IAR & Property	29,123	33,191	↑ +13.97%
	Liability	3,031	3,719	↑ +22.71%
	Accident	31,234	31,361	↑ +0.41%
	Health	18,738	15,811	↓ -15.62%
	Travel	1,130	2,266	↑ +100.50%
	Bail bond	157	111	↓ -29.39%
Others	15,305	16,003	↑ +4.56%	

Unit: million Baht

Source: OIC, Q4/2022 Summary of Non-life insurance business

Figure1 Non-life insurance premium details by policy types

Life insurance premiums for first-year, renewal, and single premiums for January to December 2022 amounted to Baht 611,106 million, reflecting a 0.45% YoY decrease, with the following breakdown:

Life premium by payment : (All)		Year To Date		
		2021Q4	2022Q4	Change%
Million Baht	Life Total	613,845	611,106	↓ -0.45%
	First year premium(FYP)	96,171	105,787	↑ +10.00%
	Renewal year premium(RYP)	443,040	441,317	↓ -0.39%
	Single Premium(SP)	74,633	64,002	↓ -14.25%

Unit: million Baht

Source: OIC, Q4/2022 Summary of Life insurance business

Figure 2 Life insurance premium details by policy types

With the COVID-19 pandemic situation easing due to higher vaccination rates and decreasing illness, people are beginning to relax, leading to the economic recovery in 2022. The tourism industry, which is a major factor in Thailand's economy, also started to recover due to the relaxation of travel restrictions in many countries, resulting in increased tourist travel. However, the return of Chinese tourists is not yet at full strength. The service sector has shown signs of improvement. Nevertheless, external factors such as the ongoing conflict between Russia and Ukraine, which have led to inflation and high interest rates, still present challenges for businesses. Throughout the fourth quarter of 2022, the Thai economy continued to recover consistently from the previous quarter, with an important driving force being the increase in the number of foreign tourists, which led to an increase in private sector consumption and services, as well as a decrease in the general inflation rate.

The revenue for TQM increased from the previous year, largely due to the main business, which was the insurance business that adapted to the direction of the economy and the expanding insurance market. The premium for the main insurance business increased from the previous year, with the highest amount in the fourth quarter, which was the usual high season for the insurance business. However, in 2022, there was still a continuous impact from the COVID-19 situation that affected some insurance companies that were business partners. Nonetheless, TQM's insurance sales came from the following main businesses.

In 2022, the car insurance industry experienced YoY growth due to the improving economic situation, with new customers driving good sales growth. Accident and health insurance also grew in sales, excluding COVID-19 insurance, which had particularly high sales in 2021. The increase in sales was due to heightened customer awareness of the importance of having insurance to protect against healthcare risks. Home insurance had a significant increase in sales due to TQM's ability to make customers aware of the product's importance and coverage. Customers became interested, resulting in a substantial increase in sales in the third quarter of 2022, which is the rainy season and poses risks from flooding and leaks. Although a full recovery is expected in the following year, travel insurance saw an improving trend due to increasing tourism activities. Life insurance, including group insurance for corporate customers, grew due to the easing of the COVID-19 situation, allowing for more customer interactions than in 2021, and corporate customers increased their service usage.

Easy Lending (“EL”) has shown a consistent positive trend since its launch in late 2021, proving to be profitable. Many customers are interested in using EL’s service to purchase insurance from TQM. Additionally, EL has low financial costs and has been effectively managing risks and debts.

TQM’s technology platform business is still in its early stages, with the company “SureKrub.com” (“SK”) receiving approval from the Board of Directors to raise funds (Fund Raising Serie-A) from potential investors. Moreover, TQM has received a profit share from associated companies, including TQD and Builk One Group. Builk’s profit sharing was recorded in 4Q22. Collaborating to expand the insurance customer base, they offer insurance products that cater to customer needs, such as construction insurance for contractors or home insurance for retail customers.

In 2022, TQM focused on maintaining a favorable profit margin by prioritizing product segments that have good profit rates while considering cost and expense management. Pursuing a strategic direction more responsive to customer needs than insurance businesses, their financial and technology platform businesses have helped sustain overall business growth. Looking forward to 2023, TQM is expected to have a better outlook as the economic situation is trending towards significant recovery. They will maintain their strength in expanding the core insurance business, including car insurance, accident and health insurance, and home insurance. Additionally, they anticipate growth from Easy Lending, which has the opportunity to collaborate with partners to expand the customer base. TQM’s other businesses are expected to have a complementary role in creating good business performance from the strategic plans established in the previous year.

Major developments in 2022

1. The change of par value (Par split)

- In the meeting of the Board of Directors number 5/2564, the Board of Directors considered a proposal to the shareholders to change the par value of shares from 1 baht per share to 0.50 baht per share. The purpose of the change was to increase the distribution of shareholding to a wider range of investors and to increase share's liquidity in the market. The proportion of each shareholder's original holdings would remain unchanged, as will the registered and paid-up capital of the company. On January 4th, 2022, the company registered the change in par value, which became effective on January 13th, 2022.

2. Dividend payment

- On April 28th, 2022, at the 2022 Annual General Meeting of shareholders, a resolution was passed to pay dividends from the net profit and retained earnings of 2021 at a rate of 0.50 baht per share, totaling 300 million baht for 600 million shares. The payment was made on May 12th, 2022.
- On August 11th, 2022, at the Board of Directors Meeting number 6/2565, a resolution was passed to pay interim dividends from the separated financial statements for January 1st to June 30th 2022 at a rate of 0.70 baht per share, totaling 420 million baht for 600 million shares. The payment was made on September 9th, 2022.

3. Investments in subsidiaries

- On April 28th, 2022, at the 2022 Annual General Meeting of shareholders, a resolution was passed to invest in TQR Public Company Limited ("TQR") for a total of 102,000,000 shares, or 44.35% of the total issued and sold shares of TQR, at a price of 5.10 baht per share, totaling 520.20 million baht. TQM had already purchased the shares on April 29th, 2022 and submitted a tender offer to purchase all remaining securities of TQR on May 5th, 2022 at a price of 5.10 baht per share. The tender offer was open from May 10th to June 15th, 2022. During this period, there was no one expressing the intention to sell shares.
- On August 3rd, 2022, at the Board of Directors Meeting number 5/2565, a resolution was passed to enter sell and purchase agreement to buy shares in Builk One Group Company Limited ("Builk") totaling 486,907 shares or 40.00% of the total shares issued and sold by Builk, amounting to approximately 247.09 million baht. The transaction was completed on September 23rd, 2022. The objective of investment was to expand business leveraging on Builk's platform and customer base, as well as to develop technology from Builk's expertise.
- On November 11th, 2022, Easy Lending Company Limited ("EL") invested in Cashnow Plus Company Limited ("C+") holding 99.999% shares in order to support the expansion of the financial business towards secured loan providing.

4. Change of company's name

- On May 11th, 2022, at the Board of Directors Meeting number 3/2565, a resolution was passed to change the company name, amend the company seal, revise the Memorandum of Association, and amend the company
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Articles of Association to align with the company name change. On August 23rd, 2022, the name TQM Corporation Public Company Limited was changed to TQM Alpha Public Company Limited.

Financial highlights of 2022 compared to 2021

unit: million Baht

Description	2022	2021 (Restated)	Change
Service revenue	3,589.7	3,498.2	2.6%
Other revenue	137.2	185.1	-25.9%
Total revenue	3,726.9	3,683.4	1.2%
Service costs	(1,691.2)	(1,605.7)	5.3%
Gross profit	1,898.6	1,892.5	0.3%
Administrative expenses	(923.7)	(854.6)	8.1%
Net profit	885.5	989.2	-10.5%
Net profit – owners of parent	809.3	890.4	-9.1%
Earnings per share (Baht)	1.35	1.48	-8.8%
Normalized net profit *	885.5	898.2	-1.4%
Normalized net profit – owners of parent*	809.3	799.4	1.3%

* Note: normalized profit excludes TQR's other income from reversal of liabilities provision of Baht 27.24 million in 2Q21 and TQM's 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 2022 performance compared to 2021

Revenue

- Service revenue of 2022 was Baht 3,589.7 million, compared to Baht 3,498.2 million in 2021, increasing by 2.6% from an increase in overall insurance sales.
- Total revenue of 2022 was Baht 3,726.9 million, compared to Baht 3,683.4 million in 2021, increasing by 1.2%. In 2021, a gain from bargain purchase of subsidiaries of Baht 63.8 million in other revenue, and TQR's revenue from reversal of liabilities provision of Baht 27.24 million.

Cost and expenses

- Service cost was Baht 1,691.2 million, increasing by 5.3% along with the increasing revenue. The percentage of service cost compared to total revenue was 45.4%, increasing from 43.6% last year.
- Administrative expenses were Baht 923.7 million, increasing by 8.1%, 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 24.8%, increasing from 23.2% last year.

Profit

- Gross profit was Baht 1,898.6 million, increasing by 0.3%
- Net profit was Baht 885.5 million, decreasing by 10.5%. However, when excluding one-off gain from bargain purchase of Baht 63.8 million and TQR's revenue from reversal of liabilities provision of Baht 27.24 million in 2021, the normalized profit decrease by only 1.4%.
- Net profit – owners of parent was Baht 809.3 million, decreasing by 9.1%. When excluding the abovementioned one-off items, the normalized net profit – owners of parent increased by 1.3% 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
