

Management Discussion and Analysis for 2Q23
TQM Alpha Public Company Limited (“TQM”)

Business Overview

According to statistics from the Office of Insurance Commission (OIC), the total non-life insurance premium for January to March 2023 was Baht 71,333 million, representing a 4.70% YoY increase. The details are as follows:

Nonlife Direct Premium : (All)		Year To Date			
		2022Q1	2023Q1	Change%	
Million Baht	Nonlife Total	68,131	71,333	↑	+4.70%
	Fire	2,491	2,422	↓	-2.78%
	Hull	144	179	↑	+24.58%
	Cargo	1,571	1,615	↑	+2.80%
	Compulsory auto	4,887	5,337	↑	+9.21%
	Voluntary auto	34,138	36,107	↑	+5.77%
	IAR & Property	6,860	7,700	↑	+12.24%
	Liability	899	1,099	↑	+22.28%
	Accident	8,383	7,807	↓	-6.87%
	Health	4,711	4,411	↓	-6.37%
	Travel	521	612	↑	+17.49%
	Bail bond	41	29	↓	-28.23%
	Others	3,486	4,015	↑	+15.17%

Unit: million Baht

Figure 1: Non-life insurance premium details by policy types

Source: OIC, Q1/2023 Summary of Non-life insurance business

Life insurance premiums for first-year, renewal, and single premiums for January to March 2023 amounted to Baht 156,509 million, reflecting a 4.01% YoY increase, with the following breakdown:

Life premium by payment : (All)		Year To Date		
		2022Q1	2023Q1	Change%
Million Baht	Life Total	150,480	156,509	↑ +4.01%
	First year premium (FYP)	26,481	31,122	↑ +17.53%
	Renewal year premium (RYP)	109,488	111,508	↑ +1.85%
	Single Premium (SP)	14,511	13,879	↓ -4.36%

Unit: million Baht

Figure 2: Life insurance premium details by policy types

Source: OIC, Q1/2023 Summary of Life insurance business

Thailand's Economic outlook

The Thai economy in 2Q23 has shown signs of improvement compared to both the previous quarter and the previous year. This upward trend in growth can be attributed to the tourism sector and private sector consumption. However, there are several factors to monitor for the latter half of 2023, such as domestic political dynamics, the new government's economic policies, and other economic aspects, including inflation, economic contraction, and the post-effects of three interest rate hikes in the first half of 2023

Overview of the Insurance Business

Building upon the economic recovery in Thailand as mentioned earlier, there has been a positive impact on the insurance industry as a whole. This has led to anticipations of growth in the year 2023. In the realm of property insurance, growth is projected to be around 4.5-5.5%, while for life insurance, it's estimated to be around 0-2%. In recent times, the car insurance sector has closely aligned with market expectations, buoyed by increased car sales. Meanwhile, health and accident insurance have seen robust growth, attributed in part to the trend of an aging society driving up insurance premiums, as well as an upward trajectory in health insurance claims. Moreover, the recovery of tourism activities has also contributed positively to travel insurance.

Summary of Key Performance Results in 2Q23

Despite the second quarter being the insurance brokerage's low season, TQM's operations grew in both revenue and profit, aligning with Thailand's improving economy. Supported by an enhanced sales team, TQM's performance has remained robust.

TQM's performance continued to rise, driven by core factors influencing the overall industry. Car insurance sales rose, encompassing new policies and renewals. Consumer awareness of accident and health coverage, as well as home insurance protection, increased, prompting sustained interest in home insurance. Moreover, heightened travel activities boosted travel insurance sales.

The expanded sales team since early 2023 has consistently elevated sales performance, adeptly expanding with the market. Efficient service cost management led to an increase of gross profit margin, continuing the upward trend.

TQM's subsidiary, "Easy Lending", offering a personal loan for insurance, experienced continuous growth, alongside insurance sales. This is part of TQM's strategy to provide comprehensive products and services, creating sales opportunities to cater to its 4 million customers. This effort will contribute to building an ecosystem that enables customers to access suitable products and services, fostering a long-term relationship with TQM. Additionally, there is a significant role in driving sustainable growth for the organization. Moreover, plans are in place to expand the financial business segment.

Looking ahead, TQM anticipates a positive trend for the latter half of 2023, entering the high season. This outlook extends to both insurance and financial segments, with opportunities for expansion and collaborations with business partners. Furthermore, the surging popularity of electric vehicles (EVs) in Thailand, indicated by a substantial increase in EV car registrations (from over 9,500 in 2022 to over 30,000 in 1H23), is poised to drive car insurance growth due to higher premiums for EVs compared to traditional vehicles.

Financial highlights of 2Q23 compared to 2Q22

unit: million Baht

Description	2Q23	2Q22	Change	1H23	1H22	Change
Service revenue	898.1	844.7	6.3%	1,882.0	1,772.2	6.2%
Other revenue	22.5	28.7	(21.7%)	33.8	50.2	(32.7%)
Total revenue	920.6	873.4	5.4%	1,915.8	1,822.4	5.1%
Service costs	(422.7)	(403.6)	4.7%	(910.7)	(819.3)	11.2%
Gross profit	475.4	441.1	7.8%	971.3	952.9	1.9%
Administrative expenses	(247.3)	(226.1)	9.4%	(489.6)	(463.6)	5.6%
Net profit	192.2	194.5	(1.2%)	401.0	430.3	(6.8%)
Net profit – owners of parent	196.9	179.9	9.5%	391.7	393.5	(0.5%)
Earnings per share (Baht)	0.33	0.30	0.03	0.65	0.66	(0.01)

Key financial ratio

Description	1H23	1H22
Net profit margin	20.9%	23.6%
Debt-to-equity ratio (times)	0.53	0.50
Current ratio (times)	2.42	2.75
Return on asset	18.4%	21.6%
Return on equity	27.9%	31.3%
Operating margin	26.5%	28.6%
EBITDA margin	32.7%	35.8%

Analysis of 2Q23 performance compared to 2Q22

Revenue

- Service revenue of 2Q23 was Baht 898.1 million, compared to Baht 844.7 million in 2Q22, increasing by 6.3% from an increase in overall insurance sales, driven by investments in expanding the sales team at the beginning of this year.
- Total revenue of 2Q23 was Baht 920.6 million, compared to Baht 873.4 million in 2Q22, increasing by 5.4% from increased sales of insurance products.

Cost and expenses

- Service cost was Baht 422.7 million, reflecting a 4.7% increase in line with revenue growth. Moreover, these costs sustain a lower ratio compared to revenue due to heightened operational efficiency within the new sales team and effective cost control measures.
- The percentage of service cost compared to total revenue was 45.9%, decreasing from 46.2% last year.
- Administrative expense was to Baht 247.3 million, increasing by 9.4% in line with the higher income and in accordance with the business expansion plan.
- The percentage of administrative expense compared to total revenue was 26.9%, experiencing a slight increase from 25.9% in the previous year.

Profit

- Gross profit reached Baht 475.4 million, marking a 7.8% increase. The gross profit margin also rose to 52.9%, surpassing both last year and the previous quarter. This growth can be attributed to the enhanced efficiency of new sales personnel and the successful management of service cost.
- Net profit was Baht 192.2 million, marking a slight decrease of 1.2%. The net profit – owners of parent was Baht 196.9 million, reflecting a notable increase of 9.5%. The increase in profit can be credited to the improved sales performance of the newly formed sales team, who began selling a range of insurance products at the beginning of this year.