

Management Discussion and Analysis for 3Q23
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 June 2023 was Baht 140,795 million, representing a 6.07% YoY increase. The details are as follows:

| Nonlife Direct Premium | | Year to Date | | |
|------------------------|----------------------|----------------|----------------|-----------------|
| | | 2022Q2 | 2023Q2 | %Change |
| Million Baht | Nonlife Total | 132,741 | 140,795 | ↑ +6.07% |
| | Fire | 5,325 | 5,353 | ↑ +0.52% |
| | Hull | 254 | 311 | ↑ +22.65% |
| | Cargo | 3,299 | 3,309 | ↑ +0.31% |
| | Compulsory auto | 9,640 | 10,168 | ↑ +5.48% |
| | Voluntary auto | 65,813 | 69,321 | ↑ +5.33% |
| | IAR & Property | 14,664 | 16,478 | ↑ +12.37% |
| | Liability | 1,758 | 1,987 | ↑ +13.02% |
| | Accident | 16,216 | 15,781 | ↓ -2.68% |
| | Health | 8,199 | 9,026 | ↑ +10.08% |
| | Travel | 1,243 | 1,187 | ↓ -4.53% |
| | Bail bond | 72 | 53 | ↓ -26.79% |
| | Others | 6,258 | 7,822 | ↑ +24.98% |

Unit: million Baht

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

Source: OIC, Q2/2023 Summary of Non-life insurance business

Life insurance premiums for first-year, renewal, and single premiums for January to June 2023 amounted to Baht 299,886 million, reflecting a 3.77% YoY increase, with the following breakdown:

| Life Direct Premium | | Year to Date | | |
|---------------------|----------------------------|----------------|----------------|-----------------|
| | | 2022Q2 | 2023Q2 | %Change |
| Million Baht | Life Total | 288,991 | 299,886 | ↑ +3.77% |
| | First Year Premium (FYP) | 49,622 | 56,776 | ↑ +14.42% |
| | Renewal Year Premium (RYP) | 209,252 | 213,015 | ↑ +1.80% |
| | Single Premium (SP) | 30,117 | 30,095 | ↓ -0.07% |

Unit: million Baht

Figure 2: Life insurance premium details by policy types

Source: OIC, Q2/2023 Summary of Life insurance business

Thailand's Economic outlook

The Thai economy in 3Q23 expanded from the previous quarter, driven by increased private consumption and improvements in the service sector. This was influenced by the growing number of international tourists. Additionally, factors supporting household purchasing power continued to improve, particularly in terms of employment and consumer confidence.

Overview of the Insurance Business

With the recovery of the Thai economy as mentioned earlier, it has had a positive impact on the overall insurance industry. The Thai General Insurance Association has forecasted a growth of approximately 4.5-5.5% for the non-life insurance business in 2023, while the Thai Life Assurance Association anticipates a growth of around 0 - 2 % for the life insurance business. The main reasons are attributed to the improved economic conditions recently. Motor insurance has grown in line with market expectations due to increased car sales. Health and accident insurance have also shown good growth, driven by consumer awareness of the importance of health risk coverage. Additionally, the trend of an aging population contributes to higher insurance premiums, and there is an increasing trend in health insurance claims. Furthermore, the revival of tourism activities has become a positive factor for travel insurance.

Summary of Key Performance Results in 9M23

Total revenue of TQM in 9M23 increased by 3.0% YoY due to the improved potential of sales team. The net profit for the parent in the period was flat comparing to the previous year.

In 3Q23, net profit of TQM grew from the last quarter which was the low season of insurance industry. With an effective cost and expenses control, the net profit margin of 3Q23 was 23.2%, improving

YoY and QoQ, reflecting a good profitability.

Diverse insurance products were popular, maintaining strong customer retention. Motor insurance, particularly electric vehicle coverage, displayed growth potential and promise for renewals. This was observed from the significant growth in sales of TQM's electric vehicle insurance. Other insurance products, such as health and accident insurance, remained in demand among consumers due to increased awareness of the importance of health risk coverage. Additionally, there was a growing understanding of the protection offered by home insurance, leading to increased interest in purchasing and renewing home insurance policies.

Recently, TQM has ventured into more online channels by partnering with LINE Shopping. This collaboration aims to offer insurance products to over 12 million LINE users, addressing the diverse lifestyle needs and responding to current digital trends.

For the financial services business through TQM's subsidiary, Easy Lending Co. Ltd., it maintained customers' trust seeking loans to purchase insurance with TQM. To align with the company's strategy to offer comprehensive products and services, Easy Lending is exploring opportunities to introduce new financial products to enhance growth potential. There have been initial market trials, building on TQM's existing customer base in 3Q23.

TQM was also received 2023 SET ESG Ratings (previously named THSI). Moreover, TQM was rated 5 star or "Excellent" CG Scoring for the fourth consecutive year in 2023 Corporate Governance Report (CGR 2023). This reflects a continuous commitment to developing high standards in corporate governance, considering the impact on the economy, society, environment (ESG), and all stakeholders. This includes conducting business based on the organization's sustainability foundation.

Major developments in 3Q23

On 11 August 2023, the Board of Directors' meeting No. 4/2566 approved the interim dividend payment from the financial statements of 1 January to 30 June 2023 of Baht 0.50 per share, 600 million shares, amounting Baht 300 million. The dividend payment date set for 8 September 2023.

Financial highlights of 3Q23 compared to 3Q22

unit: million Baht

| Description | 3Q23 | 3Q22 | Change | 9M23 | 9M22 | Change |
|--------------------------------------|--------------|--------------|---------------|----------------|----------------|---------------|
| Service revenue | 871.4 | 895.4 | (2.7%) | 2,753.5 | 2,667.6 | 3.2% |
| Other revenue | 41.9 | 30.0 | 39.4% | 75.7 | 80.2 | (5.6%) |
| Total revenue | 913.4 | 925.4 | (1.3%) | 2,829.2 | 2,747.8 | 3.0% |
| Service costs | (407.1) | (432.3) | (5.8%) | (1,317.9) | (1,251.6) | 5.3% |
| Gross profit | 464.3 | 463.1 | 0.3% | 1,435.6 | 1,416.0 | 1.4% |
| Administrative expenses | (232.0) | (223.4) | 3.9% | (721.6) | (687.0) | 5.0% |
| Net profit | 211.9 | 213.1 | (0.5%) | 612.9 | 643.3 | (4.7%) |
| Net profit – owners of parent | 206.9 | 205.9 | 0.5% | 598.6 | 599.4 | (0.1%) |
| Earnings per share (Baht) | 0.34 | 0.34 | - | 1.00 | 1.00 | - |

Key financial ratio

| Description | 9M23 | 9M22 |
|------------------------------|-------|-------|
| Net profit margin | 21.7% | 23.4% |
| Debt-to-equity ratio (times) | 0.67 | 0.55 |
| Current ratio (times) | 2.48 | 2.19 |
| Return on asset | 17.9% | 19.7% |
| Return on equity | 28.9% | 29.3% |
| Operating margin | 26.6% | 28.2% |
| EBITDA margin | 33.7% | 35.6% |

Analysis of 3Q23 performance compared to 3Q22

Revenue

- Service revenue of 3Q23 was Baht 871.4 million, changing by 2.7% compared to Baht 895.4 million in 3Q22.
- Total revenue of 3Q23 was Baht 913.4 million, changing by 1.3% compared to Baht 925.4 million in 3Q22.

Cost and expenses

- Service cost was Baht 407.1 million, reflecting a 5.8% decrease attributed to efficient control and management of service costs.
- The percentage of service cost compared to total revenue was 44.6%, decreasing from 46.7% last year.
- Administrative expense was Baht 232.0 million, reflecting a 3.9% increase aligned with the business expansion plan.
- The percentage of administrative expense compared to total revenue was 25.4%, experiencing a slight increase from 24.1% in the previous year.

Profit

- Gross profit reached Baht 464.3 million, indicating a 0.3% increase. The gross profit margin also improved to 53.3%, surpassing both the last year and the previous quarter.
- Net profit was Baht 211.9 million, reflecting a 0.5% change. The net profit – owners of parent was Baht 206.9 million, reflecting an increase of 0.5%. The rise in profit is attributed to enhanced sales performance across all channels and efficient cost control measures.