

Management Discussion and Analysis for 2023
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 September 2023 was Baht 210,141 million, representing a 5.16% YoY increase. The details are as follows:

Nonlife Direct Premium		Year to Date		
		2022Q3	2023Q3	%Change
Million Baht	Nonlife Total	199,838	210,141	↑ +5.16%
	Fire	7,605	7,762	↑ +2.06%
	Hull	383	464	↑ +21.15%
	Cargo	4,979	4,866	↓ -2.27%
	Compulsory auto	14,323	15,068	↑ +5.20%
	Voluntary auto	97,408	103,351	↑ +6.10%
	IAR & Property	22,287	25,884	↑ +16.14%
	Liability	2,805	2,985	↑ +6.44%
	Accident	24,168	23,925	↓ -1.00%
	Health	11,810	12,297	↑ +4.12%
	Travel	1,705	1,744	↑ +2.29%
	Bail bond	94	77	↓ -18.50%
	Others	12,272	11,717	↓ -4.52%

Unit: million Baht

Figure1: Non-life insurance premium details by policy types

Source: OIC, Q3/2023 Summary of Non-life insurance business

Life insurance premiums for first-year, renewal, and single premiums for January to September 2023 amounted to Baht 454,961 million, reflecting a 3.92% YoY increase, with the following breakdown:

Life Direct Premium		Year to Date		
		2022Q3	2023Q3	%Change
Million Baht	Life Total	437,787	454,961	↑ +3.92%
	First Year Premium (FYP)	76,346	82,374	↑ +7.89%
	Renewal Year Premium (RYP)	313,412	322,858	↑ +3.01%
	Single Premium (SP)	48,029	49,729	↑ +3.54%

Unit: million Baht

Figure 2: Life insurance premium details by policy types

Source: OIC, Q3/2023 Summary of Life insurance business

Thailand's Economic outlook

In the fourth quarter of 2023, the Thai economy continued to recover, showing a sustained upward trend. The tourism sector has been a major driver of this growth, supported by government policies promoting tourism, such as the issuance of free visas for Chinese and Kazakh tourists. These policies have had a positive impact on both the labor market and private consumption.

Overview of the Insurance Business

The Thai General Insurance Association estimates that the insurance market will grow by 4.0 - 5.0 percent in 2023, driven by the economic recovery and government transitions. The increase in sales of electric vehicles, along with the improved tourism sector, are contributing factors to this growth.

Premiums of motor insurance are growing due to increased sales of electric vehicles, and voluntary car insurance premiums are trending higher price. Premiums of fire insurance are increasing in line with the growth in mortgage. Premiums of marine and transportation insurance have slightly decreased due to a slight increase in export values, and lower import values. Premiums of miscellaneous insurance have increased due to property risk insurance.

The life insurance business grew by 3.61% in 2023, primarily through agents. The most popular and fastest-growing products were health insurance riders and critical illness insurance. This trend reflects increased public awareness and concern for health, leading to a greater emphasis on health insurance for risk management and addressing healthcare costs.

The non-life insurance business is expected to grow by approximately 5.0-6.0 percent in 2024, driven by the continuous increase in electric vehicle sales,

growing awareness of the importance of health insurance, and an expected increase in the number of tourists. Meanwhile, the life insurance business is expected to grow by approximately 2.0-4.0 percent, in line with the economic growth rate (GDP).

Source: Press conference Thai General Insurance Association and The Thai Life Assurance Association

Summary of Key Performance Results in 2023

In 2023, TQM's total revenue was 3,756.9 million baht, comprising service revenue of 3,685.0 million baht. Net profit - owners of parent was 816.3 million baht. Both revenue and profit grew from the previous year, driven by insurance premiums from all products. In early 2023, TQM enhanced the capabilities of its sales team by hiring more employees to drive sales growth. This led to an increase in service costs compared to 2022, aligning with the rise in service revenue. As a result, gross profits were higher than the previous year. Additionally, expanding the business necessitated increasing personnel to support the growth. However, effective cost control in other areas resulted in a slight reduction in overall selling, general and administrative expenses from the previous year. The net profit margin was 22.9%, indicating efficient profit-making performance.

In 2023, various insurance products continued to grow steadily, following the trend from the previous year. This growth included motor insurance, driven by increased car sales in the past year. Additionally, there are future growth opportunities from electric vehicle insurance, as owners will need to renew their motor insurance in 2024. Other insurance products, such as health and accident insurance, remain popular among consumers. This is due to an increased awareness of the importance of health risk protection and a better understanding of home insurance coverage, which has

led to a growing interest in continuous home insurance coverage.

TQM has enhanced its focus on online channels to align with consumer behavior trends. In 2023, TQM collaborated with LINE Shopping to offer insurance products to over 12 million LINE users, receiving a highly positive response.

As for the financial services, offered by Easy Lending Co., Ltd., consistently earn the trust of customers who seek loans to purchase insurance through TQM. This aligns with our strategy to offer comprehensive products and services. Moreover, we also explored opportunities to introduce new financial products to enhance growth potential. In November 2023, we launched "Mee Ngern" ("Money Bear"), offering auto title loan. Near the end of the year, we started offering land title loans to broaden our business focus, providing comprehensive services and products to meet and retain our customer base. We expand on our current customer base, utilizing data and payment behavior to tailor our services, analyze and manage risks, and reduce potential bad debts.

In 2024, TQM is expected to continue growing in line with the insurance market's expansion. We will enhance its capabilities through collaborations to create synergy with subsidiaries and business partners. Additionally, we will integrate technology to improve operational processes, such as using AI for customer data management and analysis, to enhance customer service efficiency. Aligned with current customer behavior trends, we aim to increase sales opportunities by offering products and services that meet customer needs. It is expected that the growth of the main business and subsidiaries, including insurance and financial services, boosted by digital platforms, should increase our revenue by an average of 5-10%.

Aligned with our sustainable development efforts, in addition to our ongoing activities in the economic, social, and environmental (ESG) aspects, our expansion into the loan business in the past year has enhanced our social impact. This is achieved by making insurance products more accessible to the majority through reasonably priced offerings and increasing the ability to pay through loan for insurance purchases. Other types of loans offer consumers access to transparent lending terms and conditions, with interest rates complying with regulations and reasonable lending limits, hence reducing problems related to predatory lending.

TQM has been recognized as one of the sustainable stocks in 2023, or SET ESG Ratings (formerly THSI). Additionally, it has received an "Excellent CG Scoring" or 5-star rating for the fourth consecutive year in the Corporate Governance Report (CGR) 2023. Our continued recognition highlights our commitment in corporate governance standards, considering the impact on the economy, society, and environment (ESG), and ensuring benefits for all stakeholders, reflecting our organization's sustainable business practices.

Major developments in 2023

1. On 25 April 2023, the Shareholders' Annual General Meeting of 2023 approved a dividend payment from net profit and retained earnings of 2022 at Baht 0.50 per share for 600 million shares, totaling Baht 300 million, on 12 May 2023.
2. 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 2023 compared to 2022

unit: million Baht

Description	2023	2022	Change
Service revenue	3,685.0	3,589.7	2.7%
Other revenue	71.9	137.2	(47.6%)
Total revenue	3,756.9	3,726.9	0.8%
Service costs	(1,735.4)	(1,691.2)	2.6%
Gross profit	1,949.6	1,898.6	2.7%
Administrative expenses	(917.0)	(923.7)	(0.7%)
Net profit	859.6	885.5	(2.9%)
Net profit – owners of parent	816.3	809.3	0.9%
Earnings per share (Baht)	1.36	1.35	0.01

Key financial ratio

Description	2023	2022
Net profit margin	22.9%	23.8%
Debt-to-equity ratio (times)	0.67	0.55
Current ratio (times)	2.45	2.22
Return on asset	16.6%	17.9%
Return on equity	26.7%	26.7%
Operating margin	28.7%	28.1%
EBITDA margin	35.0%	36.0%

Analysis of 2023 performance compared to 2022

Revenue

- Service revenue of 2023 was Baht 3,685.0 million, increasing by 2.7% compared to Baht 3,589.7 million in 2022.
- Total revenue of 2023 was Baht 3,756.9 million, increasing by 0.8% compared to Baht 3,726.9 million in 2022. This growth was driven by increased sales of all insurance products, attributed to human resources development and an expanded sales team in early 2023.

Cost and expenses

- Service cost was Baht 1,735.4 million, reflecting a 2.6% increase, in line with the increased revenue. The rising costs had a lower growth rate than the revenue.
- The percentage of service cost compared to total revenue was 46.2%, increasing from 45.4% last year.
- Administrative expense was Baht 917.0 million, reflecting a 0.7% decrease, indicating efficient management and control.
- The percentage of administrative expense compared to total revenue was 24.4%, experiencing a decrease from 24.8% in the previous year.

Profit

- Gross profit reached Baht 1,949.6 million, indicating a 2.7% increase. The gross profit margin also improved to 52.9%, surpassing the last year.
- Net profit was Baht 859.6 million, reflecting a 2.9% change. The net profit – owners of parent was Baht 816.3 million, reflecting an increase of 0.9%. The increase in profit is attributed to the efficiency in selling various products through all channels, as well as the effective management of service costs and administrative expenses.