

Management Discussion and Analysis for 1Q24
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 December 2023 was Baht 284,866 million, representing a 3.88% YoY increase. The details are as follows:

Nonlife Direct Premium		Year to Date		
		2022Q4	2023Q4	%Change
Million Baht	Nonlife Total	274,227	284,866	↑ +3.88%
	Fire	9,874	10,061	↑ +1.89%
	Hull	516	619	↑ +20.07%
	Cargo	6,486	6,296	↓ -2.94%
	Compulsory auto	19,114	19,935	↑ +4.29%
	Voluntary auto	135,773	141,060	↑ +3.89%
	IAR & Property	33,126	36,953	↑ +11.55%
	Liability	3,722	3,895	↑ +4.63%
	Accident	31,389	31,564	↑ +0.56%
	Health	15,811	15,669	↓ -0.90%
	Travel	2,266.1814	2,381.3785	↑ +5.08%
	Bail bond	111	102	↓ -7.36%
	Others	16,037	16,329	↑ +1.82%

Unit: million Baht

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

Source: OIC, Q4/2023 Summary of Non-life insurance business

Life insurance premiums for first-year, renewal, and single premiums for January to December 2023 amounted to Baht 633,202 million, reflecting a 3.62% YoY increase, with the following breakdown:

Life Direct Premium		Year to Date		
		2022Q4	2023Q4	%Change
Million Baht	Life Total	611,106	633,202	↑ +3.62%
	First Year Premium (FYP)	105,787	113,292	↑ +7.09%
	Renewal Year Premium (RY)	441,317	454,595	↑ +3.01%
	Single Premium (SP)	64,002	65,315	↑ +2.05%

Unit: million Baht

Figure 2: Life insurance premium details by policy types

Source: OIC, Q4/2023 Summary of Life insurance business

Thailand's Economic Outlook

The Thai economy continued to grow in 1Q24, building on the momentum from the previous quarter. This growth was primarily driven by improvements in the service sector, which benefitted from an increase in the number of international tourists. Consequently, employment in the tourism sector expanded. Additionally, private sector investment improved as businesses gradually invested in new ventures.

Overview of Insurance Business

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 due to rising medical fees, 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 1Q24

TQM's total revenue of 1Q24 amounted to Baht 1,088.8 million, driven primarily by motor insurance sales, which increased due to the previous year's economic recovery boosting car sales. Health insurance also continued to maintain steady consumer interest.

As for the financial services business, operated by Easy Lending Co. Ltd., it continues to earn the trust of customers seeking loans to purchase insurance from TQM. Additionally, there has been a steady stream of customers for car title loans since their launch in late 2023, along with other loan offerings.

Cost of services increased in line with revenue growth, and administrative expenses rose with business expansion. However, overall costs and expenses increased at a slower rate than revenue growth, resulting in gross profit and net profit of Baht 550.0 million and Baht 240.4 million, respectively. This reflects a higher growth rate in profits compared to revenue, demonstrating strong profitability. The gross profit margin stood at 51.6%, and the net profit margin at 22.1%, both higher than in the same quarter of the previous year.

In 2024, TQM's investments and groundwork laid for future growth are expected to drive significant development, including technology upgrades to enhance operations and sales team capabilities. The company's overall performance is projected to grow in line with the expanding insurance market. Additionally, subsidiary companies are showing improved performance, and TQM has opportunities for at least two mergers and acquisitions (M&A) deals this year, which are currently under feasibility studies. The overall business outlook for this year is expected to progress as planned, aiming for sustainable revenue growth averaging over 5-10%.

Major developments in 1Q23 and April 2023

On 24 April 2024, the 2024 Annual General Meeting of Shareholders approved a dividend payment from net profit and retained earnings of 2023 at Baht 0.50 per share for 600 million shares, totaling Baht 300 million, on 10 May 2024.

Financial highlights of 1Q24 compared to 1Q23

unit: million Baht

Description	1Q24	1Q23	Change
Service revenue	1,066.4	983.9	8.4%
Other revenue	22.4	11.3	97.8%
Total revenue	1,088.8	995.2	9.4%
Service costs	(516.4)	(488.0)	5.8%
Gross profit	550.0	495.9	10.9%
Administrative expenses	(263.3)	(242.3)	8.7%
Net profit	240.4	208.7	15.2%
Net profit – owners of parent	225.5	194.8	15.8%
Earnings per share (Baht)	0.38	0.32	18.8%

Key financial ratio

Description	1Q24	1Q23
Net profit margin	22.1%	21.0%
Net profit margin – owner of parent	20.7%	19.6%
Debt-to-equity ratio (times)	0.66	0.53
Current ratio (times)	2.52	2.42
Return on asset	16.3%	17.8%
Return on equity	26.1%	26.5%
Operating margin	26.9%	26.1%
EBITDA margin	32.5%	32.2%

Analysis of 1Q24 performance compared to 1Q23

Revenue

- Service revenue of 1Q24 was Baht 1,066.4 million, increasing by 8.4% compared to Baht 983.9 million in 1Q23.
- Total revenue of 1Q24 was Baht 1,088.8 million, increasing by 9.4% compared to Baht 995.2 million in 1Q23.

Cost and expenses

- Service cost was Baht 516.4 million, reflecting a 5.8% increase in line with revenue growth. However, costs increased proportionately less due to the sales team's efficiency and effective cost management.
- The percentage of service cost compared to total revenue was 47.4%, decreasing from 49.0% in the same period last year.
- Administrative expense was Baht 263.3 million, reflecting an 8.7% increase aligned with the business expansion plan.
- The percentage of administrative expense compared to total revenue was 24.2%, decreasing from 24.3% in the previous year.

Profit

- Gross profit reached Baht 550.0 million, indicating a 10.9% increase. The gross profit margin also improved to 51.6%, exceeding the same period last year.
- Net profit was Baht 240.4 million, reflecting a 15.2% increase. The net profit – owners of parent was Baht 225.5 million, reflecting an increase of 15.8%. The rise in profit is attributed to enhanced sales performance across all channels and efficient cost control measures.