

# **Q1/2019**

## **Opportunity Day Presentation**

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**17 May 2019**



# Agenda



TQM

**COMPANY OVERVIEW**



**Q1/2019 OPERATING RESULT UPDATES**



**COMPANY STRATEGY**

# TQM Works as a Broker and a Service Provider

## TQM Business Model

### 1. Insurance Broker

#### Insurance Companies



Supply broker with insurance products

Pay commission to TQM when policies sold

- Design insurance based on needs of customers



#### Channels

Platform for end user to search for the most suitable insurance plan



Face to face



Telesales



Digital

- ✓ Assess and compare coverage to get **best rates and conditions in an unbiased manner**
- ✓ Explain premiums, terms, conditions so **customers get full understanding of products**
- ✓ Ensure that after sales **service and claims are handled fairly**

#### End User

Purchase insurance through broker



- Search for insurance product through TQM

### 2. Service Provider

#### Services to Insurance Companies

TQM offers to provide additional back end services for partnering insurance companies for an additional fee



**Car inspection service**

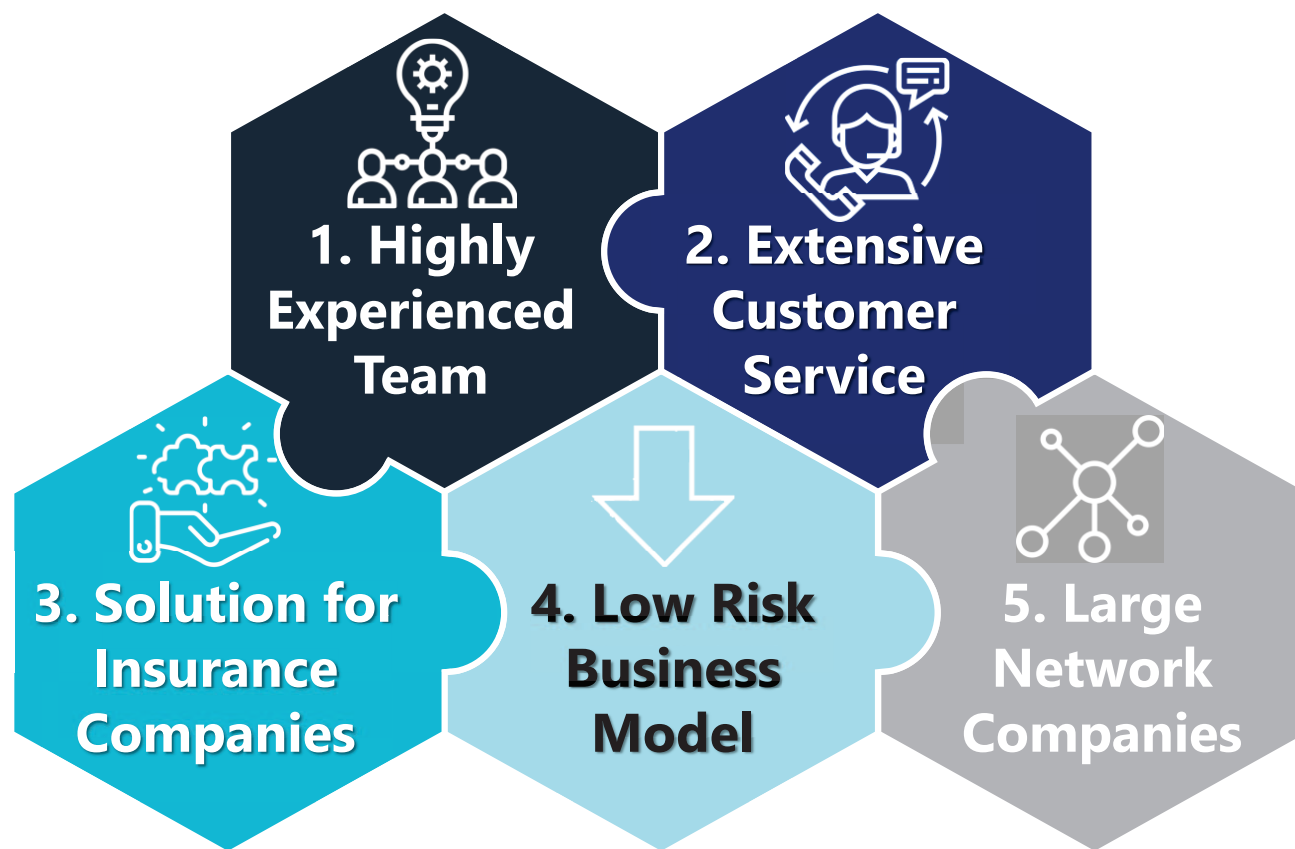


**Policy issuance**



**Other services requested by insurance companies**

# TQM Continues to Grow in Strength



# Key Highlights

## Strong Operating Performance

- **9% Revenue Growth YoY** from the strong sales team and additional sales channels
- **21% Net Profit Growth YoY** from THB 88 million to THB 107 million



## Strong Support from the Market

- **Upward trend from motor industry** enhanced the demand of motor-insurance



## New Product Innovation with Partners

- **Salary Man May Day** product innovation with Bangkok Insurance
- **Oon Jai Ruk Delight** product innovation with Viriyah Insurance and BDMS Group



## Consistent Launches of New Projects

- **Introducing Financial Broker business** line is Q2/2019 to support the purchasing of insurance
- Launch **new sales crew for life insurance** to the market in Q2 – Q3



# Agenda



COMPANY OVERVIEW



**Q1/2019 OPERATING RESULT UPDATES**

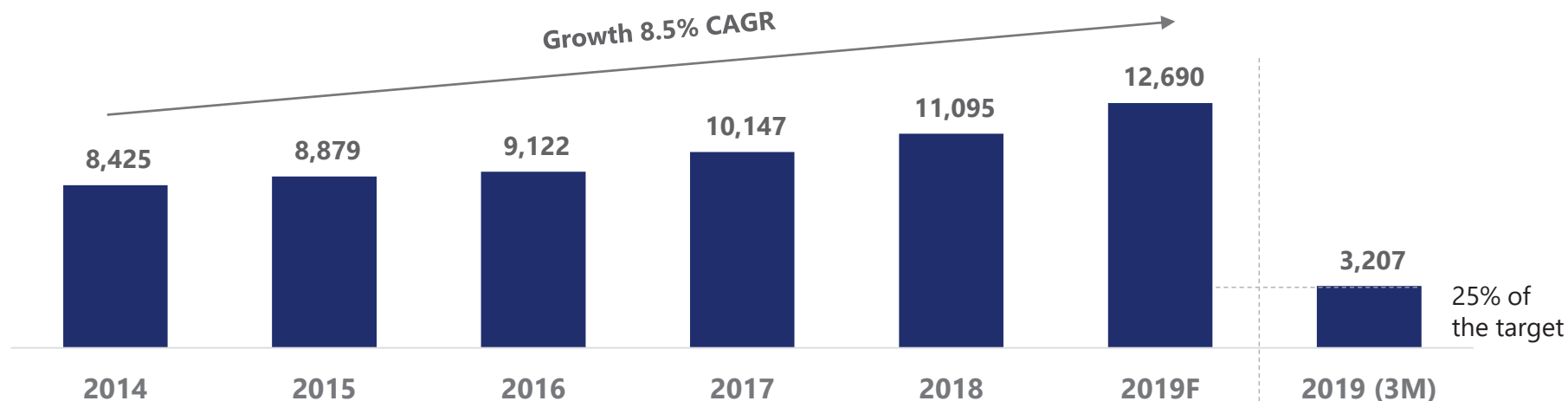


COMPANY STRATEGY

# Premium Increases Continuously for The Past 5 Years

## Premium

(THB million)



## Commission rate

According to Thai regulations, the commission rate could not exceed the following rate:

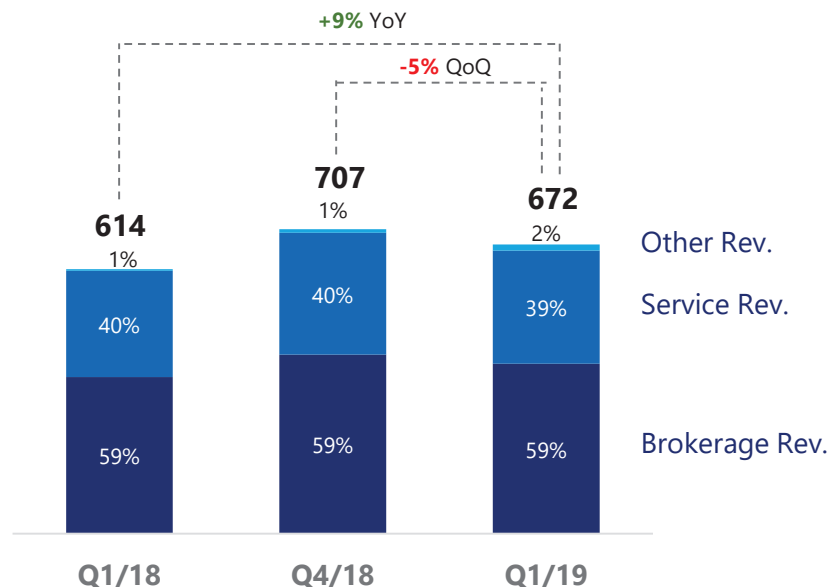
Type of insurance	Commission rate
Life insurance	40%
Non-life insurance	18%

- The major factor that contributed to an increase in insurance premium is the increase in the number of car sold, which increase continuously during the last 5 years.
- This growth in insurance premium increased brokerage revenue and service revenue to rise significantly during the past five years.
- In Q1/2019, TQM has already achieved 25% of the target, despite seasonality effect.

# Operating Revenue

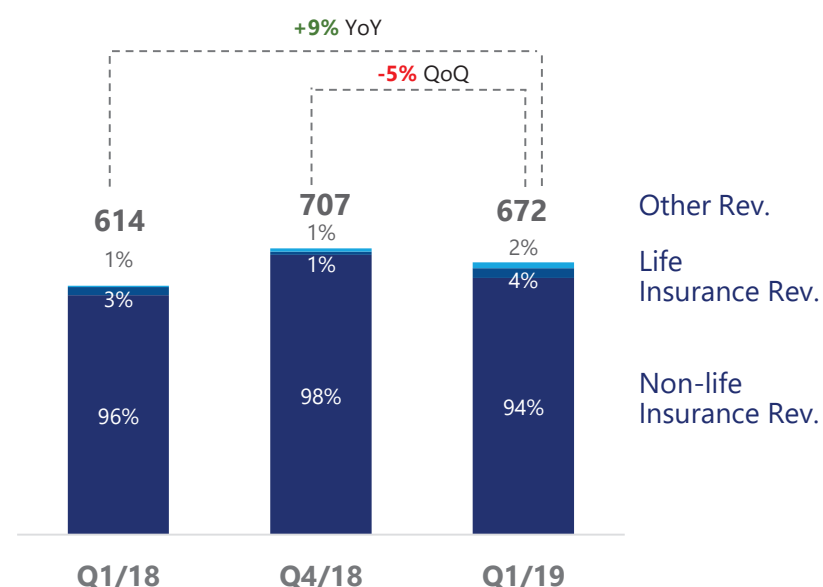
## Revenue by income type

(THB million)



## Revenue by business segment

(THB million)



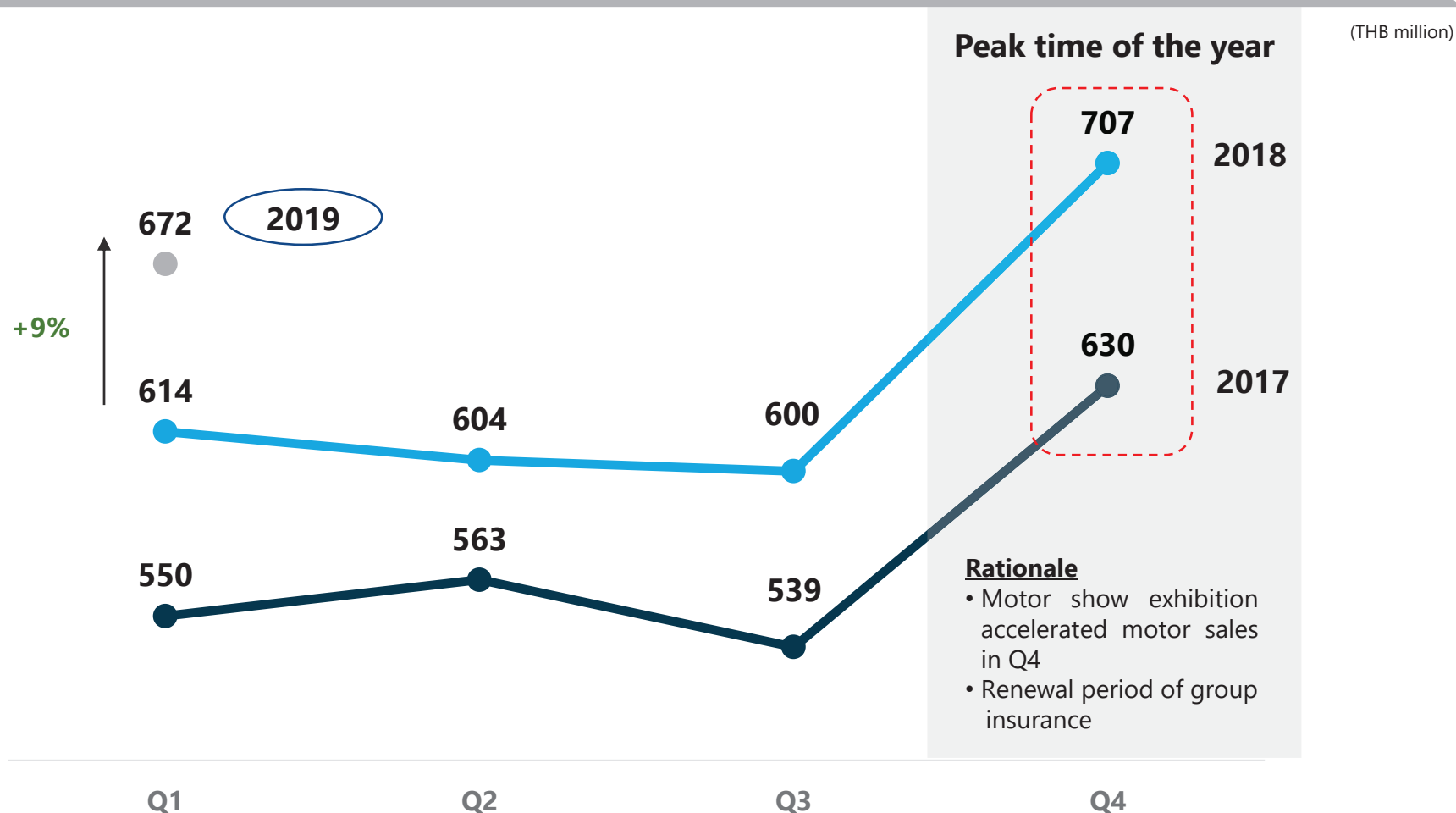
- **Q4/18 VS Q1/19 (QoQ):** Operating revenue decreased by THB 35 million or 5% because of the slight decrease in brokerage revenue and service revenue as a result of seasonal effect which normally peaks in Q4.
- **Q1/18 VS Q1/19 (YoY):** Operating revenue increased by THB 58 million or 9% due to the increase in brokerage revenue and service revenue following the increase in the number of salesperson and sales channels plus with the increasing trend of motor sales.

- **Q4/18 VS Q1/19 (QoQ):** Operating revenue decreased by THB 35 million or 5% because of the slight decrease in non-life insurance revenue corresponding to the seasonal effect while revenue from life insurance and other revenue increased.
- **Q1/18 VS Q1/19 (YoY):** Operating revenue increased by THB 58 million or 9% due to the increase in revenue of all business segments as a result of the increase in sales channels and the number of salesperson



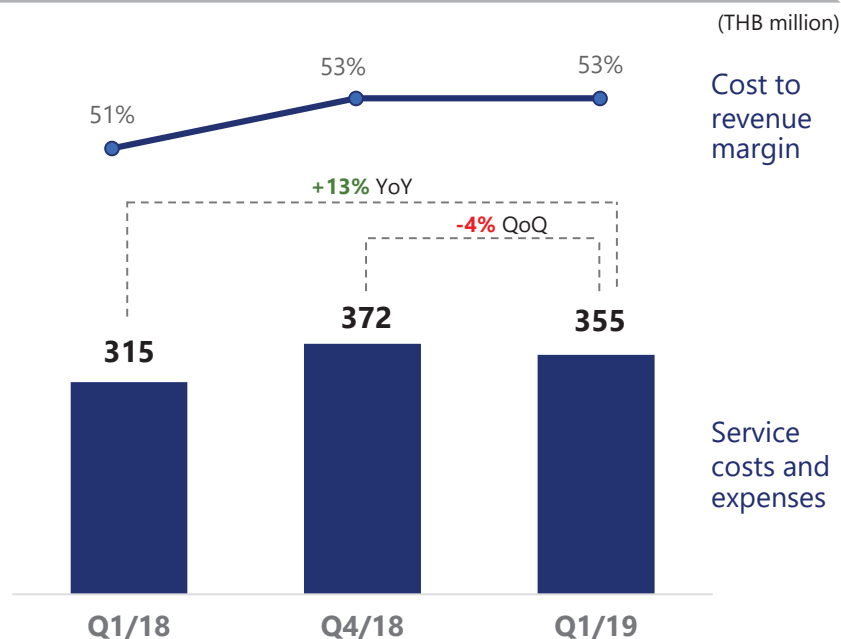
# TQM revenue is subjected to cyclical change and reach its peak in every Q4

## TQM revenue by quarter



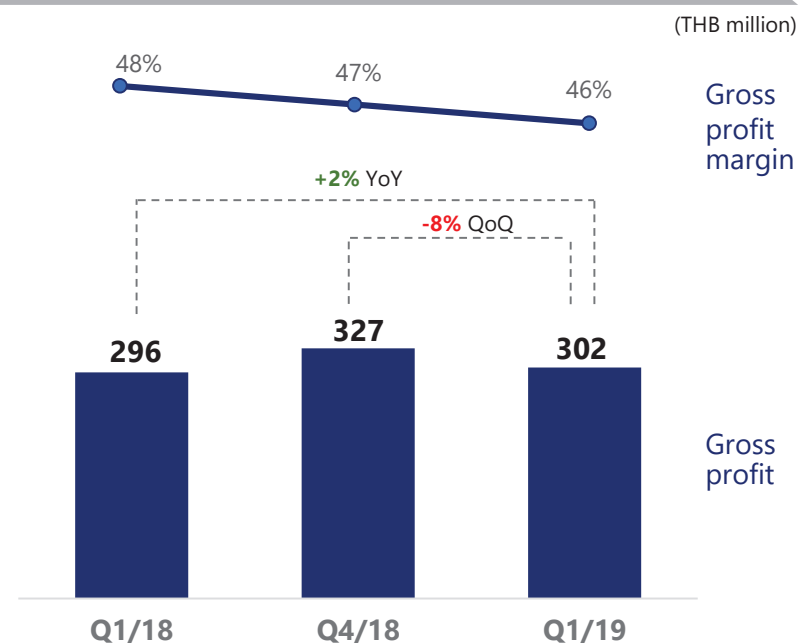
# Service Costs and Gross Profit

## Service costs



- **Q4/18 VS Q1/19 (QoQ):** Service cost decreased by THB 17 million or 4% QoQ due to an incentive which paid to salespersons, corresponding with sales.
- **Q1/18 VS Q1/19 (YoY):** Service cost increased by THB 40 million or 13% YoY due to an increase in salespersons to support growth of life insurance as well as an increase in commission following the higher sales. In addition, there was an increase in employee benefit expense as a result of changing in regulation.

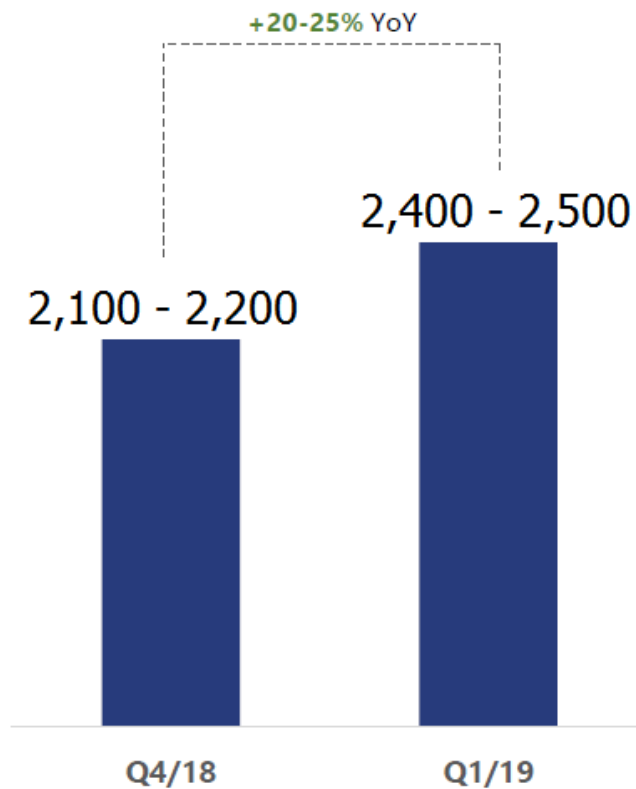
## Gross profit and Gross profit margin



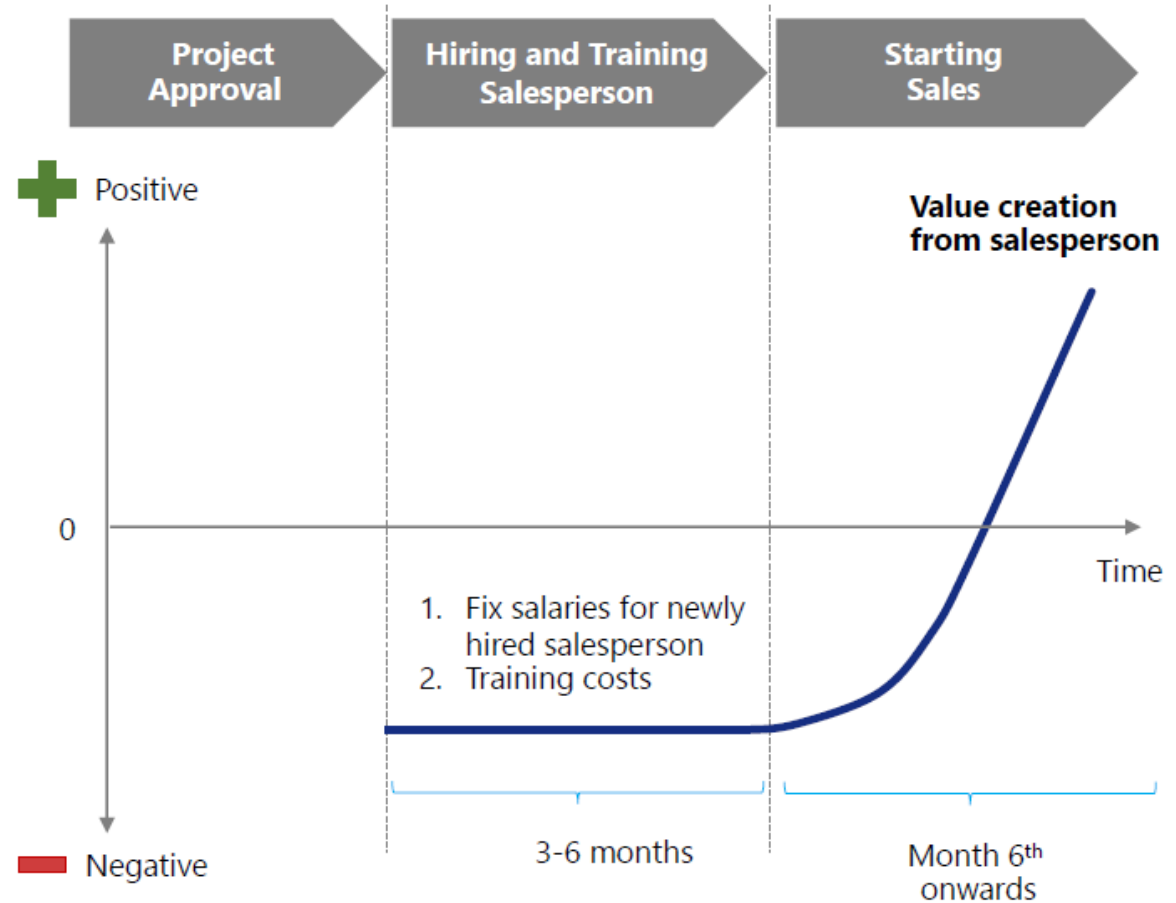
- **Q4/18 VS Q1/19 (QoQ):** Gross profit decreased by THB 25 million or 8% QoQ due to seasonality effect.
- **Q1/18 VS Q1/19 (YoY):** Gross profit increased by THB 6 million or 2% YoY because the company has enhanced sales channels and a number of salespersons to support life insurance business. While, service costs also increased following the increase in salespersons.

# Service costs increased due to costs to newly hired salesperson while value creation will be generated in the later quarters

## Number of Salesperson

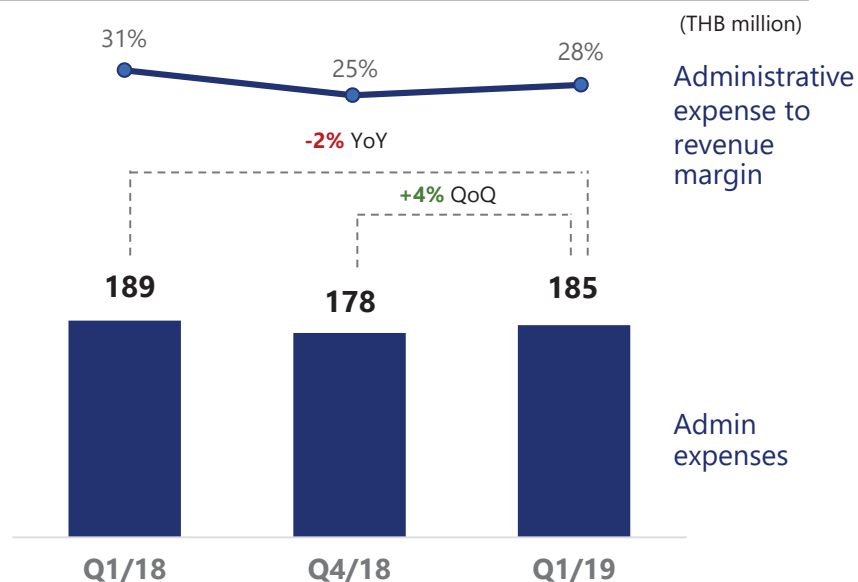


## Timeline for Value Creation



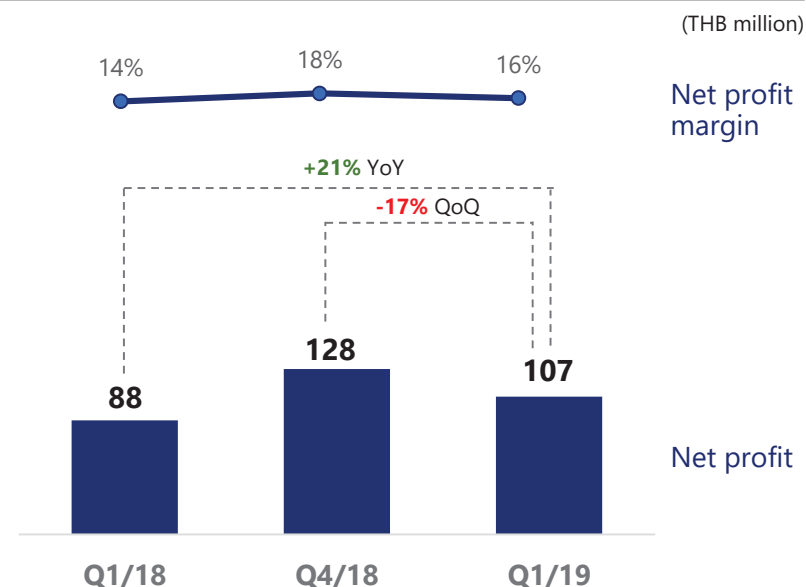
# Administrative Expenses and Net profit

## Administrative expenses



- **Q4/18 VS Q1/19 (QoQ):** Administrative expenses increased by THB 7 million or 4% QoQ due to increase in employee benefit from change in regulations.
- **Q1/18 VS Q1/19 (YoY):** Administrative expenses decreased by THB 4 million or 2% YoY due to an effective costs control and the use of new technology for service management.

## Net profit and Net profit margin



- **Q4/18 VS Q1/19 (QoQ):** Net profit in Q1/19 decreased from Q4/18 by THB 21 million or 17% because of the decrease in revenue corresponding to the seasonal effect and the increase in administrative expenses
- **Q1/18 VS Q1/19 (YoY):** Net profit in Q1/19 increased from Q1/18 by THB 19 million or 21%, because of the increase in revenue as a result of the increase in sales channels and the number of salesperson and the decrease in administrative expenses resulting from the use of new technology to manage cost effectively.

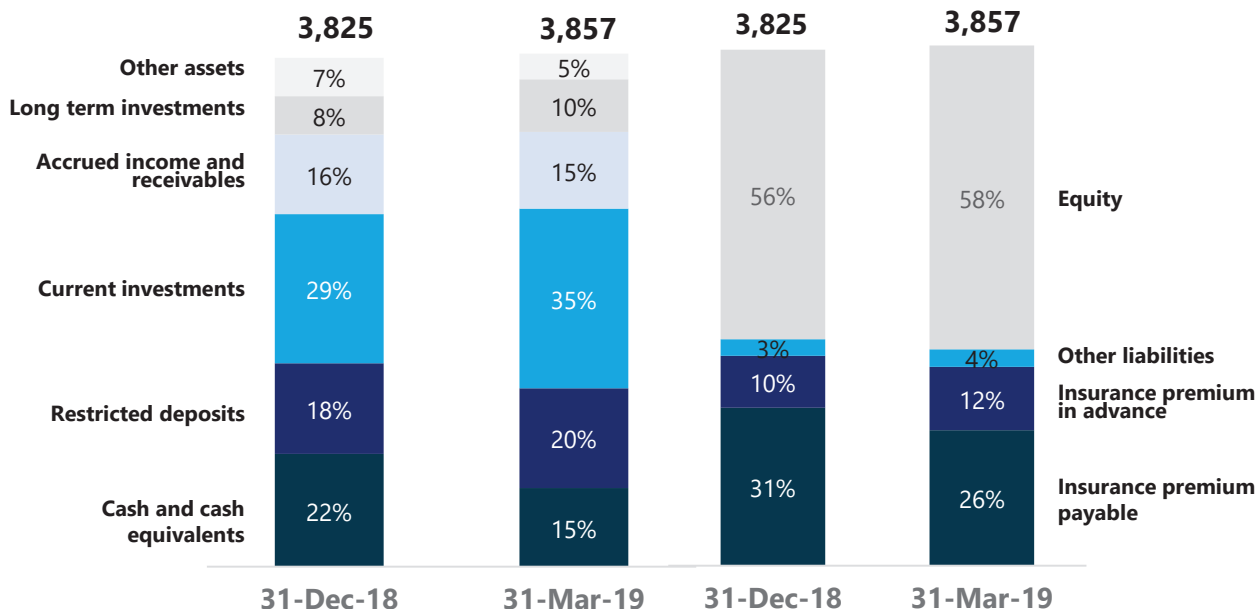
# Key Financial Highlights

## Financial Position

(THB Million)

### Assets

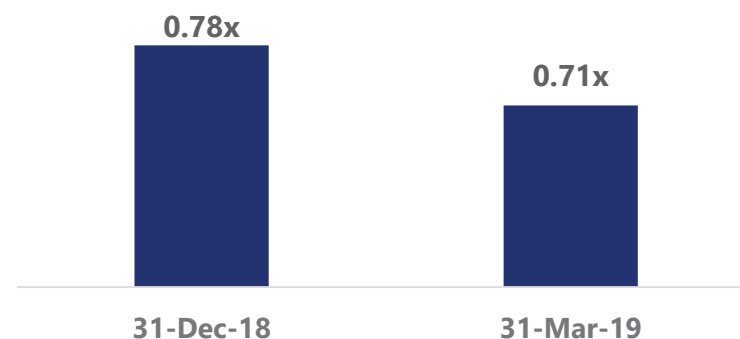
### Liabilities and Equity



- Total assets as of 31 March 2019 were 3,857 million, slightly increased by THB 32 million or 1% from 31 December 2018 from an investment in bond which is classified as long-term investment.
- Based on analysis on D/E ratio and current ratio, TQM is considered financially healthy, as TQM did not have any interest-bearing debt. While, current ratio slightly increased from 31 December 2018 due to an increase in current investment and a decrease in payables.

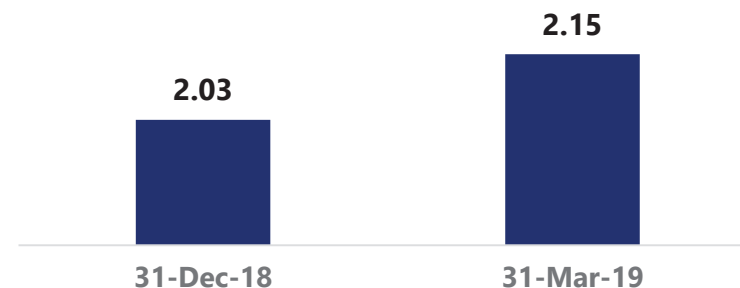
## Total D/E

(Times)



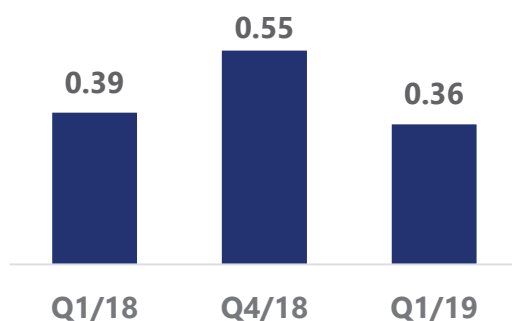
## Current ratio

(Times)



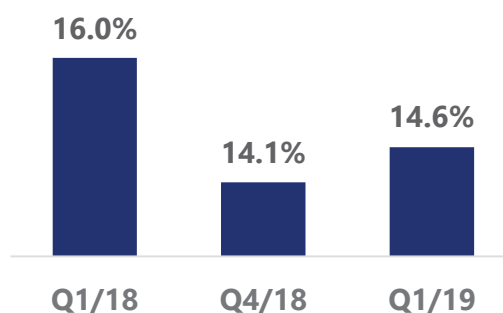
# Key Financial Highlights

## Earnings per share (THB/share)



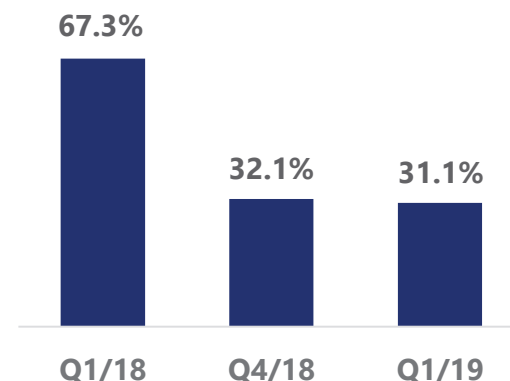
- **Q4/18 VS Q1/19 (QoQ):** EPS in Q1/19 decreased by THB 0.19 per share from Q4/18, because of a decrease in net profit and an increase in weighted average share, increasing from IPO in December 2018.
- **Q1/18 VS Q1/19 (YoY):** EPS in Q1/19 slightly decreased by 0.03 from Q1/18 because of the increase in the number of shares.

## ROA\* (%)



- **Q4/18 VS Q1/19 (QoQ):** ROA in Q1/19 increased by 0.5% from Q4/18, because of the increase in net profit and the increase in assets from IPO.
- **Q1/18 VS Q1/19 (YoY):** ROA in Q1/19 decreased by 1.4% from Q1/18 due to a decrease in net profit and an increase in assets from IPO.

## ROE\* (%)



- **Q4/18 VS Q1/19 (QoQ):** ROE in Q1/19 decreased by 1% from Q4/18, because of a decrease in net profit and an increase in shareholder's equity from Initial Public Offerings (IPO).
- **Q1/18 VS Q1/19 (YoY):** ROE in Q1/19 decreased by 36.2% from Q1/18, because of a decrease in net profit and an increase in shareholder's equity from Initial Public Offerings (IPO).

Note: The net profit used to calculate ROA and ROE is actual 4-quarter net profit. The assets and equities are the weighted average asset and equities between the beginning and ending of the period.

# Agenda



COMPANY OVERVIEW



Q1/2019 OPERATING RESULT UPDATES



COMPANY STRATEGY

# TQM Company Strategies



## CUSTOMER MANAGEMENT THROUGH BIG DATA

- Big data project
- Product Segmentation



## EXISTING CUSTOMER BASE CROSS SELLING

- Life insurance platform
- Non-motor insurance platform
- Financial Broker



## TECHNOLOGICAL DRIVEN OPERATION

- LINE Chatbot, AI, Chat center
- Technology improvement to increase sales and minimize cost



## PARTNERSHIP ENHANCEMENT

- Affiliate/ strategic partners



# TQM Project Updates – Partnership Enhancement



## Oon-Jai-Ruk Delight (Q1)



- Co-creation project with Viriyah insurance and BDMS Group to develop life insurance
- Only exclusive for TQM
- Expected return: THB 500 million within 3 years

## Salary Man May Day (Q2)



- Co-creating insurance products with Bangkok Insurance
- Targeting the labor in industrial sector and agricultural sector
- Offering installment option
- Channel: Line official TQM Insurance Broker and Telesale

## Insurance shop (Q3-Q4)



- Collaborate with the partner to establish Insurance shop to increase sales channels.
- Plan to establish Insurance shops in communities nationwide



CORPORATION PUBLIC COMPANY LIMITED

# THANK YOU

## **IR Contact**

**Sumrit Rongkawilit**

+662 119 8888 ext. 5234

sumrit.ron@tqm.co.th

**Rio Khundeeklai**

+662 119 8888 ext. 5009

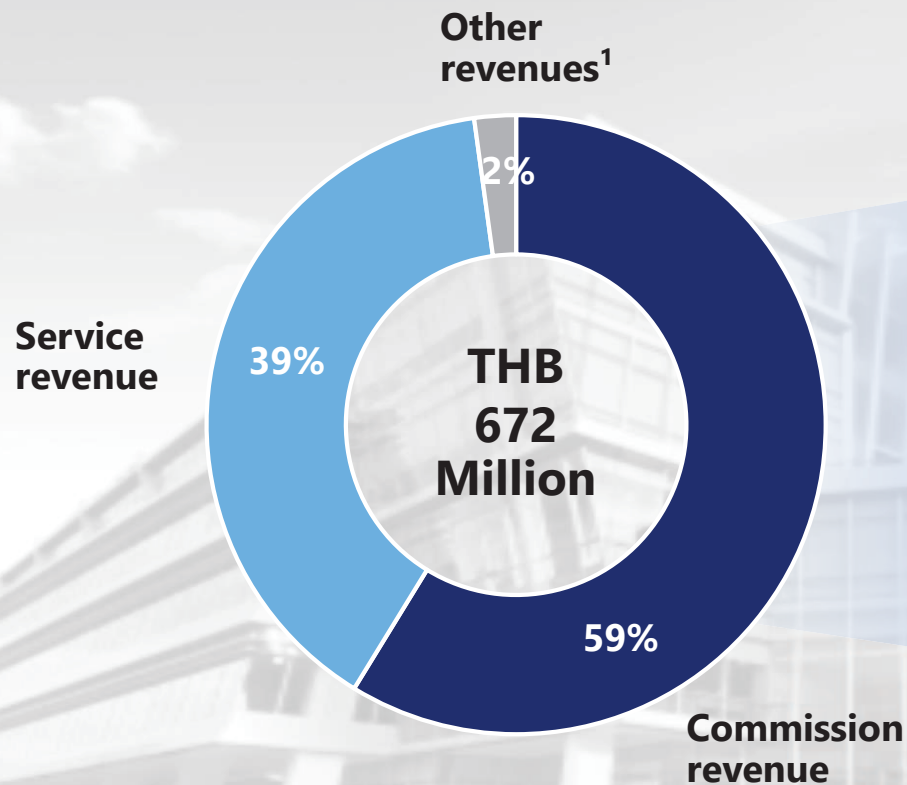
rio.khu@tqm.co.th

A photograph of a modern glass skyscraper under a clear blue sky. The image is partially covered by a semi-transparent white rectangular area in the center, and a large, dark blue geometric overlay consisting of several overlapping triangles on the left side. The word "APPENDIX" is centered within the white area.

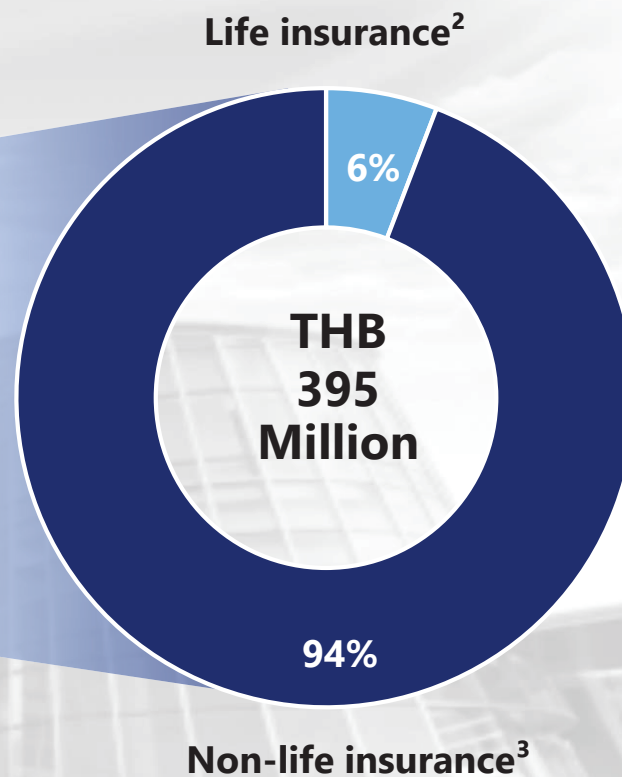
# **APPENDIX**

# Q1/2019 Revenue Portfolio of TQM

## Revenue



## Commission Revenue by Type



### Note

- (1) Other revenue includes interest income and others
- (2) The maximum commission rate of life insurance determined by regulation is 40%
- (3) The maximum commission rate of non-life insurance determined by regulation is 18%



# TQM is Supported by a Large Network of Companies: Partnering with Top Insurance Companies in Thailand



## PARTNERSHIPS WITH THAILAND'S TOP COMPANIES



Over 31 Non-life  
insurance  
companies

Over 14 Life  
insurance  
companies



## High product varieties

- ✓ Comparing and offering **over 150 insurance products**
- ✓ **Continuous development of products** by recommending demanded products from customers to partners



## Extended customer base

- ✓ Increase potential customers by **advertising** on partner's or affiliates communicating channels
- ✓ **Offer promotions** with customers and affiliates



# Customer Management Through Big Data



*TQM believes that one of the core success of the business is to identify the needs in each customer groups and to offer the best products to the correct segments*

## Fulfilling the needs of the customers



### Identifying customer needs

#### Big Data Project

Leveraging existing data to segment customers into groups and offering products according to each segment's demand under the following process:

Process:



Data Exploratory  
Results and  
Findings



Identified early  
demographics from  
the research



Segment customers  
according to each  
different profiles



Pilot product with TQM  
post boosting and ad  
targeting



### Offering services to fulfill needs

#### Product Segmentation

Penetrate each customer groups according to the needs or behaviors including:

a. Motor for lady



c. Oon Jai Ruk Delight



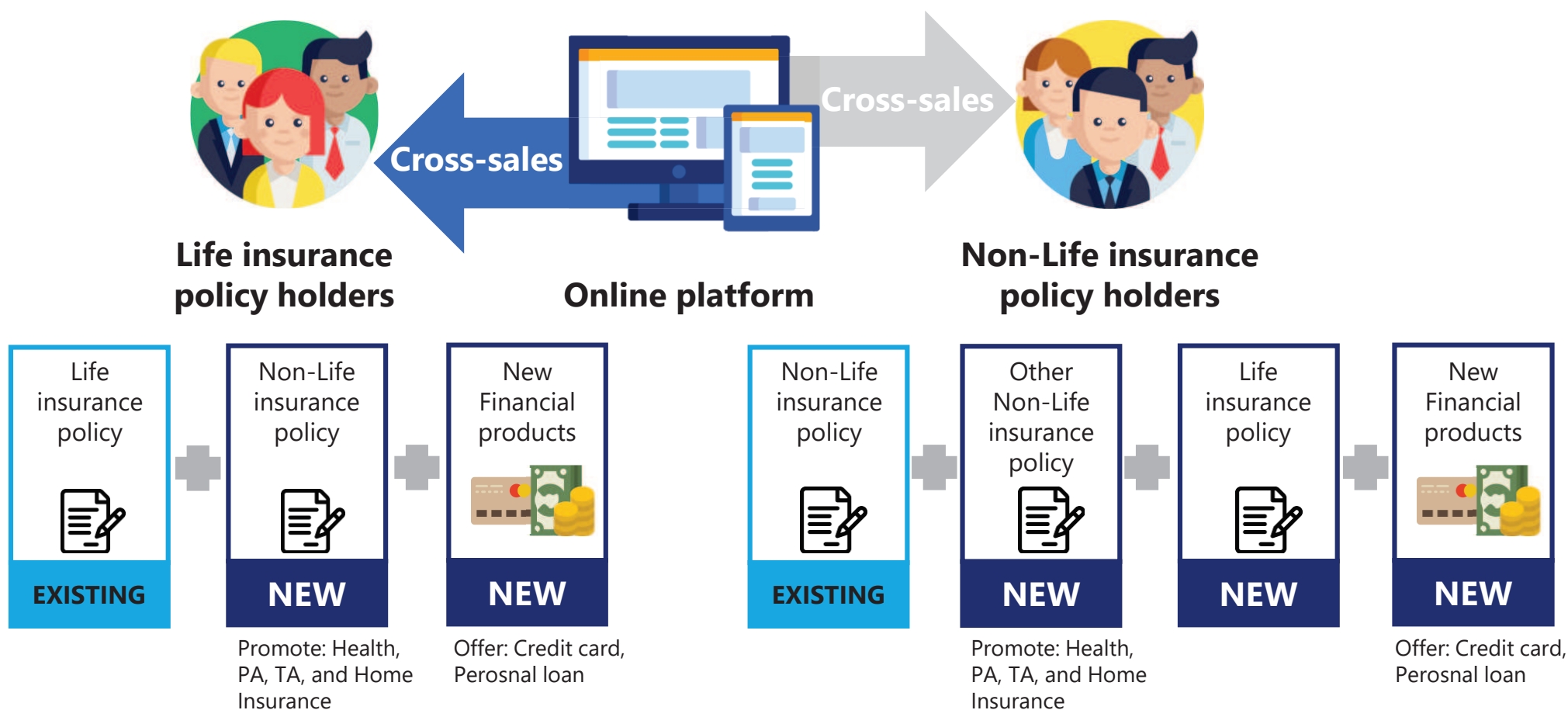
b. Salary man



# Existing Customer Base Cross Selling



*TQM believes that the current customer base can be leveraged by cross-selling additional products that would suit customers' need, including both insurance products and other financial products*



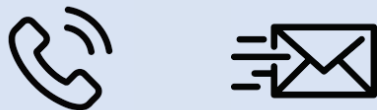
# Technological Driven Operation by Chatbot



*TQM believes that technological advancement is essential to increase revenues and to facilitate in lowering costs*

1

Leveraging technology to **decrease costs**



- ✓ Sending policies through mail
- ✓ Communicating only through call



- ✓ Sending policies through email
- ✓ Communicating through LINE, Facebook (chatbot/chat center)



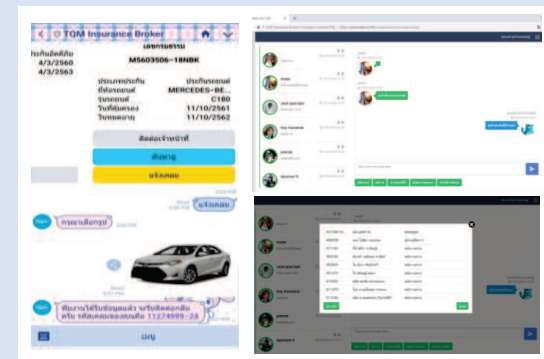
**Decrease operational expense**

2

Develop technology to assist customers to **enhance sales** through online channels and branches around Thailand



**Offer real-time chatbot via Line Chatbot**



**Expand to OMNI Channel via Chat Center**



**Increase sales volume**



**Increase customer experience**



**Technological system to serve customers in all 95 branches**



# Partnership Enhancement

*TQM believes that growing partnership relations in all areas is essential for TQM growth*

## TQM Existing Partners

### Insurance Companies



- Ensuring high variety of products to customers
- Enabling higher potential for TQM to reach targeted sales
- Imposing opportunities for TQM to co-create insurance products

### Customer Supporting Businesses



- Enhancing customer experience with TQM
- Retaining existing customers by creating customer loyalty (renewing policies with TQM)

### Selling Channel Affiliates



- Creating opportunities by accessing markets of partners and affiliates

# 2019 Outlook Through Four Steps to InsurTech

## Chatbot

### Investment in Chatbot to develop an online sales channel

- 24 hour real time chatbot
- **Allow customer to obtain information and compare insurance packages and premiums**
- Customers can purchase insurance real-time online



## Big Data

### Leverage existing data to identify and deliver suitable products to customers

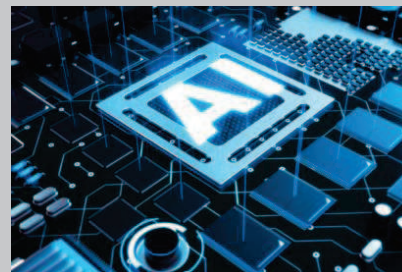
- Over 20 million customer data can be used to **identify customer segments and their needs**
- Existing data will allow TQM to add products that meets the customers demand increasing potential sales



## AI

### Chatbot and Big Data will iterate and develop into Artificial intelligence (AI)

- AI will enhance customers experience, and to **complete sales purchase with minimal interaction with call-center**
- AI can allow customers to **consult with the system** to obtain the most suitable insurance package



## InsurTech

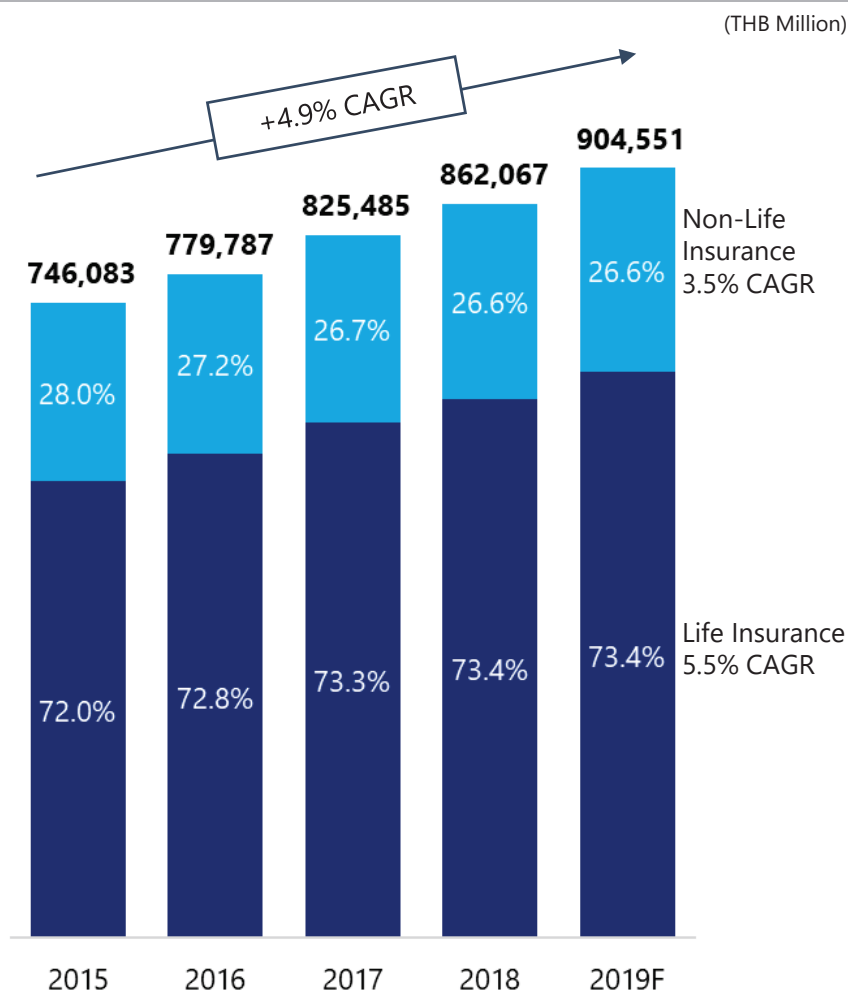
### InsurTech is the future of insurance brokerage

- InsurTech will **allow technology to facilitate the full process of broker** and insurance business including:
  - i. **Facilitate customer** in the purchasing of insurance by planning, analyzing and customizing insurance
  - ii. **Facilitating seller** in managing customer needs and maximizing the efficiency of the selling process
  - iii. **Facilitating claiming process** to be efficient through technology

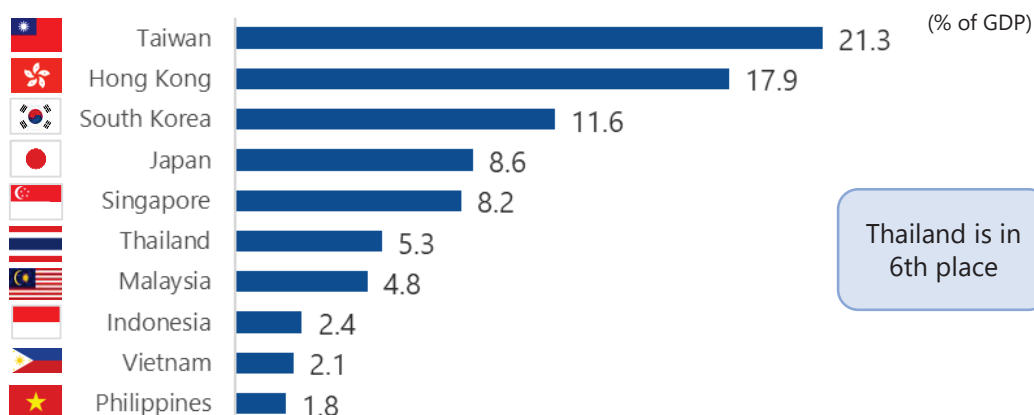


# Thailand's Insurance Industry is Growing Steadily at 5% CAGR with Room to Grow

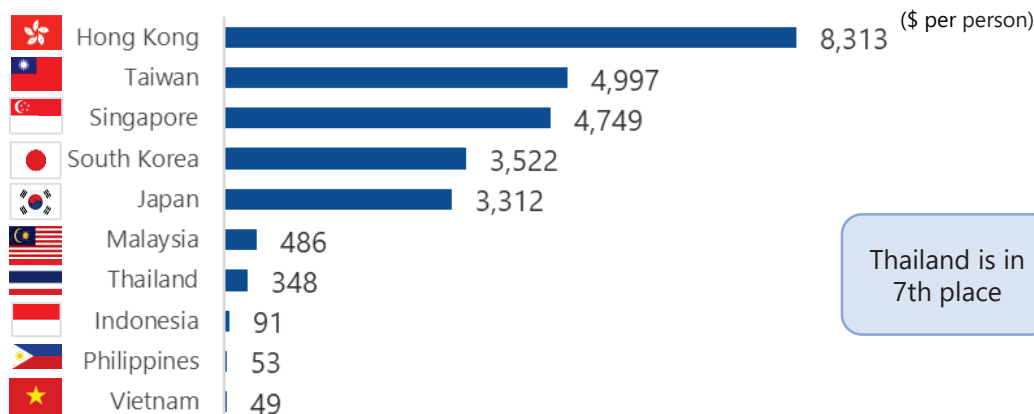
## Total Thailand Insurance Premium



## Insurance premium to GDP (2017)



## Insurance premium per head (2017)



Thailand insurance industry has opportunities to grow comparing to other developed counties such as Hong Kong and Taiwan

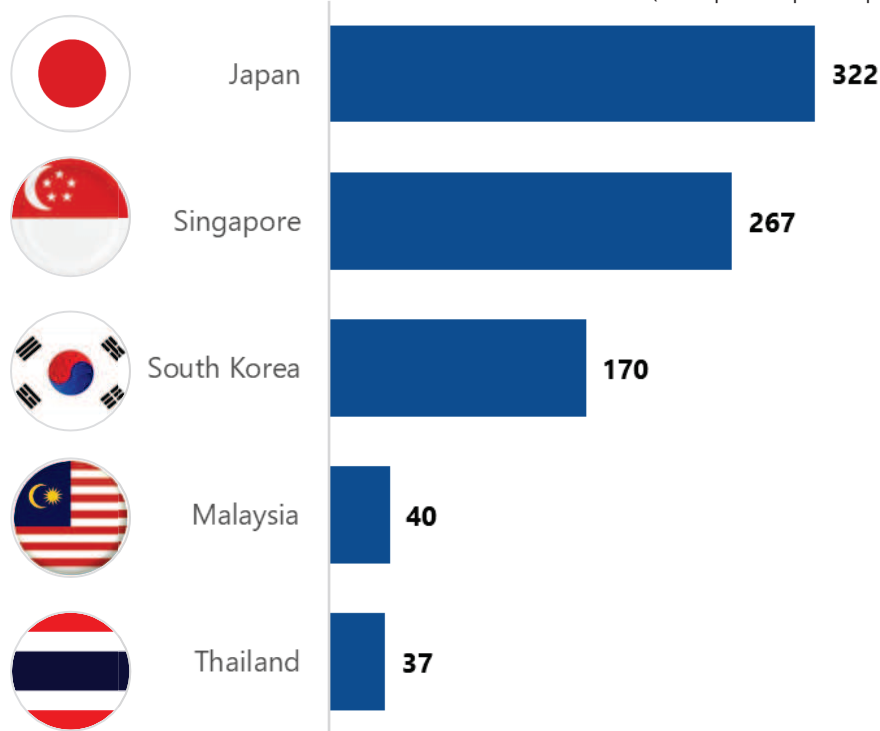
Source: OIC, Swiss Reinsurance No.3/2018

# Both Life and Non-Life Insurance Markets Have High Potentials to Expand Further

## Life insurance

### Life insurance ownership (2018)

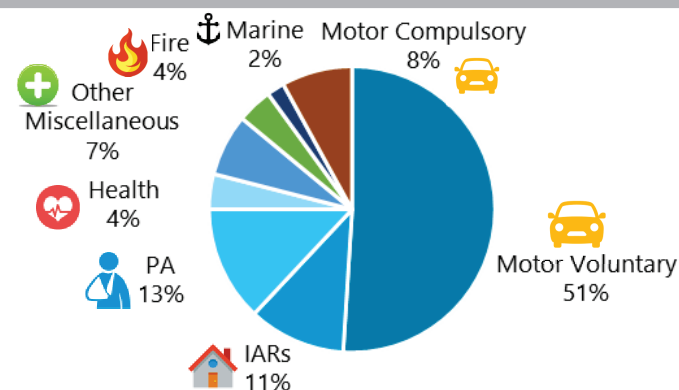
(no of policies per 100 people)



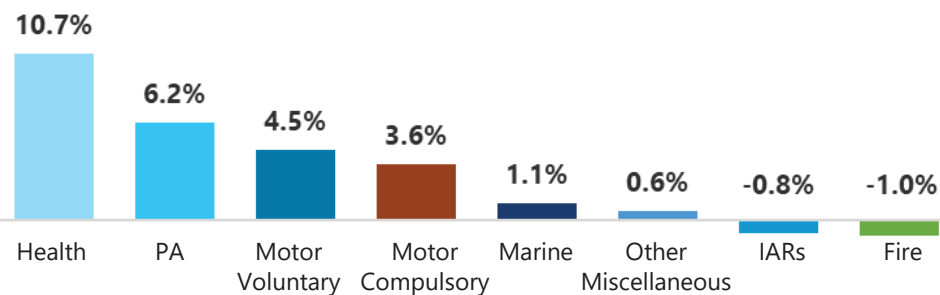
Life insurance in Thailand has large potential to grow when comparing to other developed countries in Asia as only 37% of the Thai population has life insurance

## Non-Life Insurance

### Thailand non-life insurance composition (2018)



### Annual growth rate (CAGR) by composition between 2015-2018



Health, PA and Motor insurances (voluntary and compulsory) have been growing at the highest rates from 2015 to 2018 at 10.7%, 6.2%, 4.5% and 3.6% CAGR respectively

Source: Isranews, OIC, TGIA

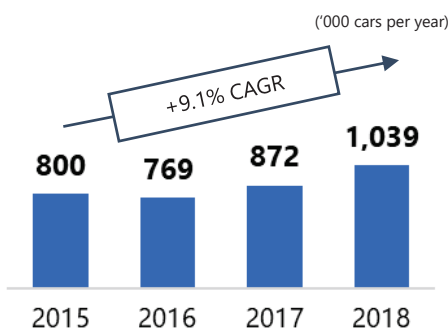
# External Factors also play a Big Role in the increase in Insurance Demands

## Other factors promoting insurance industry

Sales of motor has increase significantly annually



Sales of Motor

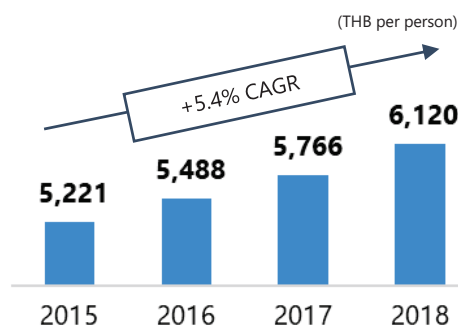


- Sales of motor has increased at 9.1% CAGR between 2015 and 2018
- Rise in number of motor will increase the demand of motor insurance both voluntary and compulsory

Spending per head in hospitals increases substantially



Spending on healthcare

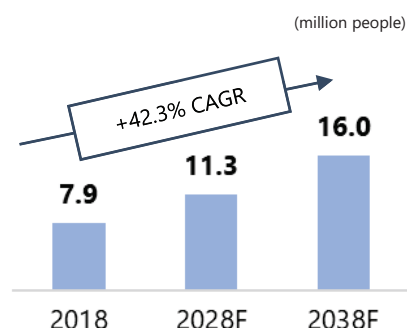


- Spending per head on healthcare in Thailand increases every year at 5.4% CAGR from 2015 to 2018
- Due to higher spending per head, more people are purchasing health insurance

Thailand will soon experience an ageing population



Ageing Population

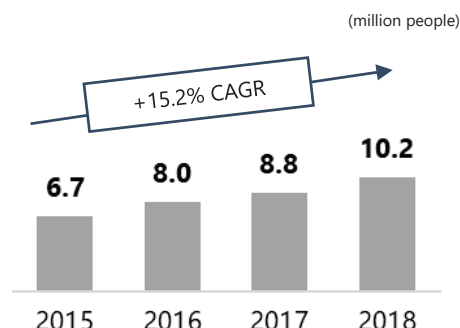


- Thailand is set to become a full-fledged ageing society within 20 years
- Elderly population is expected to grow at 47% CAGR resulting in higher demand for health and life insurance

Thai people start to view travelling as a lifestyle



Outbound tourists



- Total outbound tourism in Thailand has grown at 15.2% CAGR from 2015 to 2018
- Travel insurance demand grows with the increase in outbound travelers

Source: Marklines, Euromonitor, Thailand tourism intelligence center, BLT Bangkok, Nationalmultimedia