

# TQM Alpha

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Public Company Limited

# TQM

Bloomberg TQM TB  
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## 1Q24: Topline beat, margin missed

**The recovery in 1Q24 earnings was in line with our forecast as a stronger-than-expected growth in fee & service income was offset by worse-than-expected gross margin and opex to income ratio. We maintain our forecast of earnings growth of 15% in 2024, underpinned by a topline recovery and better cost to income ratio. We keep our Neutral rating with an unchanged TP of Bt29.**

**1Q24: Beat on topline growth but margin lower than expected.** TQM reported 1Q24 earnings of Bt239m (+21% YoY, +4% QoQ), in line with our estimates. Stronger growth in fee & service income than anticipated was offset by a higher cost to income ratio.

### Highlights:

1. Fee & service income: +8% YoY, +14% QoQ in 1Q24, slightly beating our full-year forecast of +7% (vs. +3% in 2023).
2. Gross margin: +118 bps YoY, -359 bps QoQ to 51.58% in 1Q24, lower than our full-year forecast of 53%.
3. Opex to income ratio: +7 bps YoY, +371 bps QoQ to 24.69% in 1Q24, above our full-year forecast of 24.1%. Opex rose 9% YoY and 35% QoQ, worse than expected.

**Moderate 2024F earnings recovery.** 1Q24 earnings accounted for 25% of our full-year forecast. We maintain our expectation of 2024F earnings growth of 15%, underpinned by 7% growth in fee & service income (the lower bound of its 5-10% guidance), a slight ease in both gross margin and opex to income ratio and rising contribution from its finance business.

**Maintain Neutral with an unchanged TP.** We maintain our Neutral rating with an unchanged TP of Bt29 (based on 6x PBV or 18.5x PE for 2024F).

**Key risks:** 1) Premium sales may be hit by an uneven economic recovery and slowing car sales, 2) there could be a fall in commission rate from a change in product mix and rising competition and 3) ESG risk on market conduct.

### Forecasts and valuation

Year to 31 Dec	Unit	2022	2023	2024F	2025F	2026F
Net profit	(Btmn)	809	816	943	1,075	1,204
EPS	(Bt)	1.35	1.36	1.57	1.79	2.01
BVPS	(Bt)	4.28	4.52	4.89	5.17	5.46
DPS	(Bt)	1.20	1.00	1.41	1.61	1.81
EPS growth	(%)	(9.11)	0.86	15.46	14.04	12.01
P/E	(%)	19.83	19.66	17.03	14.93	13.33
P/BV	(%)	6.24	5.91	5.47	5.18	4.90
ROE	(%)	30.85	30.89	33.38	35.63	37.75
Dividend yield	(%)	4.49	3.74	5.29	6.03	6.75

Source: InnovestX Research

## Tactical: NEUTRAL

(3-month)

### Stock data

Last close (May 15) (Bt)	26.75
Target price (Bt)	29.00
Mkt cap (Btmn)	16.05
Mkt cap (US\$mn)	442

Beta	L
Mkt cap (%) SET	0.09
Sector % SET	1.45
Shares issued (mn)	600
Par value (Bt)	0.50
12-m high / low (Bt)	35.5 / 24.8
Avg. daily 6m (US\$mn)	0.38
Foreign limit / actual (%)	49 / 4
Free float (%)	35.9
Dividend policy (%)	≥ 50

### Share performance

(%)	1M	3M	12M
Absolute	2.9	(2.7)	(3.6)
Relative to SET	4.8	(1.6)	8.3

Source: SET, InnovestX Research

### 2023 Sustainability / 2022 ESG Score

SET ESG Ratings	BBB
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### ESG Bloomberg Rank in the sector

ESG Score Rank	2/18
Environmental Score Rank	1/18
Social Score Rank	2/18
Governance Score Rank	2/18

### ESG Comment

TQM has a proper policy regarding to environmental and social issues with a decent board of directors.

Source: Bloomberg Finance L.P.

### Analyst

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## Our view on ESG

**We view that TQM has a proper policy regarding to environmental and social issues but has provided a committed timeline and actual performance relative to its targets. We view its management and governance as satisfactory, reflecting a decent size and a diverse board of directors and transparency with stakeholders.**

### ESG Disclosure Score

<b>Bloomberg ESG Score</b>	<b>40.22 (2022)</b>
Rank in Sector	2/18

<b>CG Rating</b>	<b>DJSI</b>	<b>SETESG</b>	<b>SET ESG Ratings</b>
TQM	5	No	Yes
			BBB

Source: Thai Institute of Directors (IOD), SET

### Environmental Issue (E)

- 2023 performance: Electricity consumption decreased 25% (vs. 15% target) from the baseline year 2020; Water consumption decreased 64% (vs. 20% target) from the baseline year 2020; Total weight of collected garbage of 106.5 tons (vs. target of 120 tons); Infected waste of 0.042 tons (vs. target of 0.115 tons)
- The company's greenhouse gas emissions data is in the process of registering for a carbon footprint certification. The goal is to reduce greenhouse gas emissions by 3% by the year 2030, and there is a plan to manage flood problems to prepare for climate change conditions.

### Social Issue (S)

- 2023 performance: Customer satisfaction of 93.91% vs. 90% target; Zero complaints and legal actions regarding human rights violations; Employee engagement score of 72% vs. target of no less than 72%; Average training hours of 38 hours/person/year, in line with target.
- The company has guidelines and controls in place to ensure compliance with applicable laws and regulations, and it takes responsibility for contributing positively to society. This includes cooperation, support, assistance, and volunteering in activities beneficial to the community and society, aimed at promoting economic strength as well as the restoration of society and culture.

### Governance Issue (G)

- As of 31 December 2023, the Board of Directors comprises 11 directors: 5 independent directors (45%), 1 (9%) non-executive director, and 5 (45%) executive Directors. Female directors comprised 45% of the board.
- Although the Chairman of the Board is not an independent director, the Board of Directors appointed another independent director to work jointly in considering and setting agendas of Board meetings, encouraging balance between the Board of Directors and management according to good corporate governance for listed companies.

### ESG Disclosure Score

	2021	2022
<b>ESG Disclosure Score</b>	<b>41.64</b>	<b>40.22</b>
<b>Environment</b>	<b>30.08</b>	<b>25.82</b>
Emissions Reduction Initiatives	Yes	Yes
Climate Change Policy	Yes	Yes
Biodiversity Policy	No	No
Energy Efficiency Policy	Yes	Yes
Waste Reduction Policy	Yes	Yes
Water Policy	Yes	Yes
<b>Social</b>	<b>26.15</b>	<b>26.15</b>
Human Rights Policy	Yes	Yes
Equal Opportunity Policy	Yes	Yes
Business Ethics Policy	Yes	Yes
Health and Safety Policy	Yes	Yes
Training Policy	Yes	Yes
Fair Remuneration Policy	No	No
<b>Governance</b>	<b>68.57</b>	<b>68.57</b>
Size of the Board	10	11
Number of Board Meetings for the Year	7	9
Board Meeting Attendance Pct	100	97
Number of Female Executives	4	5
Number of Independent Directors	5	5
% Independent directors to total board members	50	45

Source: Bloomberg Finance L.P.

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## Financial statement

<b>Profit and Loss Statement</b>									
<b>FY December 31</b>	<b>Unit</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Fee & service income	(Btmn)	2,712	3,083	3,498	3,590	3,685	3,950	4,235	4,540
Cost of service	(Btmn)	1,414	1,517	1,606	1,691	1,735	1,857	1,990	2,134
<b>Gross income</b>	(Btmn)	<b>1,298</b>	<b>1,565</b>	<b>1,893</b>	<b>1,899</b>	<b>1,950</b>	<b>2,094</b>	<b>2,244</b>	<b>2,406</b>
Other income	(Btmn)	72	54	184	138	77	138	214	274
Total operating expenses	(Btmn)	0	2	2	2	25	32	45	60
<b>Income before tax</b>	(Btmn)	<b>746</b>	<b>747</b>	<b>855</b>	<b>924</b>	<b>917</b>	<b>967</b>	<b>1,016</b>	<b>1,062</b>
Income tax	(Btmn)	<b>624</b>	<b>869</b>	<b>1,219</b>	<b>1,111</b>	<b>1,084</b>	<b>1,232</b>	<b>1,398</b>	<b>1,559</b>
<b>Core net profit</b>	(Btmn)	<b>116</b>	<b>167</b>	<b>230</b>	<b>226</b>	<b>224</b>	<b>246</b>	<b>280</b>	<b>312</b>
Minority interest	(Btmn)	<b>507</b>	<b>702</b>	<b>989</b>	<b>886</b>	<b>860</b>	<b>986</b>	<b>1,118</b>	<b>1,247</b>
<b>Net profit</b>	(Btmn)	<b>0</b>	<b>0</b>	<b>99</b>	<b>76</b>	<b>43</b>	<b>43</b>	<b>43</b>	<b>43</b>
<b>EPS</b>	(Bt)	<b>507</b>	<b>702</b>	<b>890</b>	<b>809</b>	<b>816</b>	<b>943</b>	<b>1,075</b>	<b>1,204</b>
DPS	(Bt)	<b>0.85</b>	<b>1.17</b>	<b>1.48</b>	<b>1.35</b>	<b>1.36</b>	<b>1.57</b>	<b>1.79</b>	<b>2.01</b>

<b>Balance Sheet</b>									
<b>FY December 31</b>	<b>Unit</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Cash & cash equivalent	(Btmn)	2,758	2,167	804	729	1,187	1,353	1,430	1,443
Other current assets	(Btmn)	731	1,310	567	909	1,039	1,039	1,039	1,039
Premises & equipment	(Btmn)	80	94	79	99	123	491	541	591
Other non-current assets	(Btmn)	688	801	1,885	1,949	1,595	1,595	1,595	1,595
<b>Total assets</b>	(Btmn)	<b>4,257</b>	<b>4,954</b>	<b>4,436</b>	<b>4,903</b>	<b>5,459</b>	<b>5,776</b>	<b>6,242</b>	<b>6,720</b>
Total current liabilities	(Btmn)	1,816	1,957	729	1,110	1,341	1,439	1,738	2,037
Total non-current liabilities	(Btmn)	91	597	697	635	844	844	844	844
<b>Total liabilities</b>	(Btmn)	<b>1,907</b>	<b>2,554</b>	<b>1,426</b>	<b>1,745</b>	<b>2,185</b>	<b>2,284</b>	<b>2,583</b>	<b>2,882</b>
Paid-up capital	(Btmn)	300	300	300	300	300	300	300	300
<b>Total Equities</b>	(Btmn)	<b>2,350</b>	<b>2,400</b>	<b>2,676</b>	<b>2,570</b>	<b>2,714</b>	<b>2,933</b>	<b>3,100</b>	<b>3,278</b>
<b>BVPS</b>	(Bt)	<b>3.92</b>	<b>4.00</b>	<b>4.46</b>	<b>4.28</b>	<b>4.52</b>	<b>4.89</b>	<b>5.17</b>	<b>5.46</b>

<b>Key Financial Ratios</b>									
<b>FY December 31</b>	<b>Unit</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024F</b>	<b>2025F</b>	<b>2026F</b>
Revenue growth	(%)	8.41	13.68	13.49	2.62	2.65	7.20	7.20	7.21
Gross margin	(%)	47.86	50.77	54.10	52.89	52.90	53.00	53.00	53.00
Opex to income ratio	(%)	27.50	24.25	24.43	25.73	24.88	24.49	23.99	23.38
Cost to income ratio	(%)	77.60	72.22	68.00	70.14	70.51	69.07	67.57	66.37
Net profit margin	(%)	18.71	22.77	25.45	22.54	22.15	23.86	25.38	26.52
ROE	(%)	22.57	29.56	35.08	30.85	30.89	33.38	35.63	37.75
ROA	(%)	12.55	15.24	18.96	17.33	15.75	16.78	17.89	18.58
D/E	(x)	0.81	1.06	0.53	0.68	0.81	0.78	0.83	0.88

## Financial statement

### Profit and Loss Statement

FY December 31	Unit	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Fee & service income	(Btmn)	845	895	974	984	898	871	931	1,066
Cost of service	(Btmn)	404	432	452	488	423	407	418	516
<b>Gross income</b>	(Btmn)	<b>441</b>	<b>463</b>	<b>521</b>	<b>496</b>	<b>475</b>	<b>464</b>	<b>514</b>	<b>550</b>
Other income	(Btmn)	30	30	61	14	23	41	(1)	25
Total operating expenses	(Btmn)	1	1	(1)	3	3	6	13	13
<b>Income before tax</b>	(Btmn)	<b>226</b>	<b>223</b>	<b>250</b>	<b>242</b>	<b>247</b>	<b>232</b>	<b>195</b>	<b>263</b>
Income tax	(Btmn)	<b>244</b>	<b>269</b>	<b>334</b>	<b>264</b>	<b>248</b>	<b>267</b>	<b>305</b>	<b>298</b>
<b>Core net profit</b>	(Btmn)	<b>49</b>	<b>56</b>	<b>67</b>	<b>55</b>	<b>56</b>	<b>55</b>	<b>59</b>	<b>58</b>
Minority interest	(Btmn)	<b>195</b>	<b>213</b>	<b>267</b>	<b>209</b>	<b>192</b>	<b>212</b>	<b>246</b>	<b>240</b>
<b>Net profit</b>	(Btmn)	<b>15</b>	<b>7</b>	<b>57</b>	<b>14</b>	<b>(5)</b>	<b>5</b>	<b>29</b>	<b>15</b>
<b>EPS</b>	(Bt)	<b>180</b>	<b>206</b>	<b>210</b>	<b>195</b>	<b>197</b>	<b>207</b>	<b>217</b>	<b>226</b>

### Balance Sheet

FY December 31	Unit	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
Cash & cash equivalent	(Btmn)	1,281	607	729	902	820	715	1,187	1,459
Other current assets	(Btmn)	551	807	909	955	1,066	1,029	1,039	1,082
Premises & equipment	(Btmn)	79	82	99	116	127	128	123	120
Other non-current assets	(Btmn)	1,635	1,913	1,949	1,854	1,696	1,633	1,595	1,448
<b>Total assets</b>	(Btmn)	<b>4,457</b>	<b>4,419</b>	<b>4,903</b>	<b>5,072</b>	<b>4,847</b>	<b>5,154</b>	<b>5,459</b>	<b>5,859</b>
Total current liabilities	(Btmn)	834	913	1,110	1,125	1,103	1,186	1,341	1,525
Total non-current liabilities	(Btmn)	658	661	635	632	573	891	844	812
<b>Total liabilities</b>	(Btmn)	<b>1,493</b>	<b>1,575</b>	<b>1,745</b>	<b>1,757</b>	<b>1,676</b>	<b>2,077</b>	<b>2,185</b>	<b>2,337</b>
Paid-up capital	(Btmn)	300	300	300	300	300	300	300	300
<b>Total Equities</b>	(Btmn)	<b>2,402</b>	<b>2,290</b>	<b>2,570</b>	<b>2,714</b>	<b>2,613</b>	<b>2,537</b>	<b>2,714</b>	<b>2,932</b>
<b>BVPS</b>	(Bt)	<b>4.00</b>	<b>3.82</b>	<b>4.28</b>	<b>4.52</b>	<b>4.36</b>	<b>4.23</b>	<b>4.52</b>	<b>4.89</b>

### Key Financial Ratios

FY December 31	Unit	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24
YoY Revenue growth	(%)	1.08	16.39	(8.52)	12.33	6.33	(2.67)	(4.34)	8.38
Gross margin	(%)	52.22	51.72	53.55	50.40	52.94	53.28	55.17	51.58
Opex to income ratio	(%)	26.76	24.95	25.65	24.62	27.54	26.62	20.98	24.69
Cost to income ratio	(%)	72.02	70.83	67.83	73.22	72.73	70.08	65.85	71.44
Net profit margin	(%)	21.30	22.99	21.53	19.82	21.93	23.74	23.35	21.15
ROE	(%)	27.49	35.10	34.51	29.52	29.57	32.14	33.13	31.95
ROA	(%)	15.90	18.55	17.99	15.64	15.88	16.55	16.39	15.94
D/E	(x)	0.62	0.69	0.68	0.65	0.64	0.82	0.81	0.80

**Figure 1: Quarterly results**

P & L (Bt mn)	1Q23	4Q23	1Q24	%YoY ch	%QoQ ch	% full year
Fee & service income	984	931	1,066	8	14	27
Cost of service	488	418	516	6	24	28
<b>Gross income</b>	<b>496</b>	<b>514</b>	<b>550</b>	11	7	26
Other income	14	(1)	25	84	4,312	18
Operating expenses	242	195	263	9	35	27
<b>Income before tax</b>	<b>267</b>	<b>318</b>	<b>312</b>	17	(2)	25
Income tax	55	59	58	5	(2)	23
Minority Interest	14	29	15	6	(49)	34
<b>Net profit</b>	<b>198</b>	<b>230</b>	<b>239</b>	21	4	25
<b>EPS</b>	<b>0.32</b>	<b>0.36</b>	<b>0.38</b>	16	4	24
Key Financial Ratios	1Q23	4Q23	1Q24	%YoY ch*	%QoQ ch*	% full year
Gross margin (%)	50.40	55.17	51.58	1.18	(3.59)	NM
Opex to income ratio (%)	24.62	20.98	24.69	0.07	3.71	NM
Cost to income ratio (%)	73.22	65.85	71.44	(1.77)	5.59	NM
Net profit margin (%)	19.82	23.35	21.15	1.33	(2.20)	NM
D/E	0.65	0.81	0.80	0.15	(0.01)	NM

Source: The company and InnovestX Research

Note: \* Percentage points

**Figure 2: Valuation summary** (price as of May 15, 2024)

	Rating	Price (Bt/Sh)	Target (Bt/Sh)	ETR (%)	P/E (x)			EPS growth (%)			P/BV (x)			ROE (%)			Div. Yield (%)		
					23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F	23A	24F	25F
BLA	Outperform	20.00	23.0	17.7	13.4	9.2	7.6	(21)	46	21	0.8	0.7	0.7	6	8	9	1.0	2.7	3.3
THRE	Outperform	0.77	1.1	38.0	15.5	12.0	9.9	n.m.	29	21	0.9	0.8	0.8	6	7	8	0.0	1.7	3.0
THREL	Underperform	1.78	1.6	(12.7)	17.5	n.m.	17.6	(60)	n.m.	n.m.	0.8	0.9	0.8	4	(4)	5	3.9	(2.6)	4.0
TLI	Neutral	9.10	10.0	13.4	10.7	10.0	9.4	5	8	6	1.0	0.9	0.9	10	0	0	5.5	3.5	3.7
TQM	Neutral	26.75	29.0	13.7	19.7	17.0	14.9	1	15	14	5.9	5.5	5.2	31	33	36	3.7	5.3	6.0
<b>Average</b>					<b>15.4</b>	<b>12.0</b>	<b>11.9</b>	<b>(18.8)</b>	<b>24.7</b>	<b>15.5</b>	<b>1.9</b>	<b>1.8</b>	<b>1.7</b>	<b>11</b>	<b>9</b>	<b>12</b>	<b>2.8</b>	<b>2.1</b>	<b>4.0</b>

Source: InnovestX Research

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