TQM Corporation Pcl (TQM TB) - BUY

Analyst Meeting

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Growing beyond insurance biz

- **Transforming to TQMalpha via adding two new bizs…**
- **…financial service and tech platform.**
- **Expecting 50% of total revenues from new bizs in 2027.**
- **We view this as a good foundation set-up.**

TQM is in a process of changing its listing name to TQMalpha and the AGM is set on 18th August 2022. The move is to grow beyond insurance business by expanding into financial service and tech platform of which TQM expects synergistic benefits among all. TQM expects new businesses to contribute 50% of total revenues in 2027. We view this as a good foundation set-up. Given we don't expect material earnings contributions in near term, we leave our earnings projection and TP as is.

- TQM held press conference on 3rd of August and analyst meeting yesterday to explain about its transformation plan under new company name, TQMalpha.
- From being the biggest insurance broker, it expands into financial solution and tech platform. Please refer to exhibit 1 below for the business structure.
- Easy Lending (EL) is flagship subsidiary for the financial services. EL has started operation since late 4Q21 and it has extended over Bt600m installment loans to support insurance sales. Next step is to offer personal loans to state enterprise coops and factoring loans to mid-to-small contractors. EL targets to Bt1.5bn this year, Bt2bn in 2023 and up to Bt5bn in 2024. It aims to IPO over next three years with a plan to grow loans up to Bt10bn in 2028.
- As for tech platform, TQM sets up SureKRUB to develop insurance applications to support its Insurtech and announces to invest around Bt250m for 40% shares in an established startup- Builk One (Builk). Builk is an ERP solution and e-commerce platform developers. It has over 100,000 contractors (20% of industry) using its apps and services. Post-transaction completion, TQM will be the biggest shareholder, followed by founder (30%) and SCG (18%).
- TQM looks to use Builk to raise penetration to all risk construction insurance market for mid-to-small-sized construction firms. Builk will provide insightful database for EL to extend factoring loans too.
- Builk expects to grow profits from Bt4m last year to Bt10m this year, Bt30m in 2023F and Bt50-70m in 2024-25F. We believe growing construction insurance sales is part of TQM's plan to achieve Bt50bn insurance premium sales in 2026. Similar to EL, TQM also plans to IPO Builk in the near future.
- We already factored in growing insurance premium sales from Bt18.7bn last year to Bt47bn in 2026 and Bt51.8bn in 2027.
- We view the transformation to TQMalpha as being a good foundation set-up. But with the company's target to grow revenues of new businesses to 50% of total over next five years, ie in 2027, we don't expect material

Key Valuations

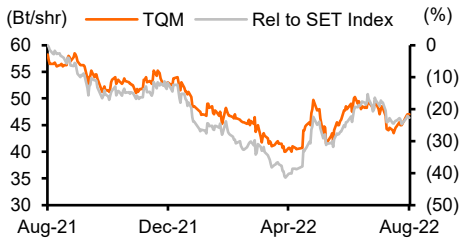
Y/E Dec (Bt m)	2021A	2022F	2023F	2024F
Revenue	3,274	3,824	4,343	4,820
Net profit	890	997	1,263	1,536
Norm net profit	827	997	1,263	1,536
Norm EPS (Bt)	1.4	1.7	2.1	2.6
Norm EPS gr (%)	17.8	20.7	26.7	21.6
Norm PE (x)	34.1	28.3	22.3	18.4
EV/EBITDA (x)	24.1	20.9	17.1	14.5
P/BV (x)	10.5	8.8	8.2	7.3
Div. yield (%)	2.6	2.8	3.6	4.4
ROE (%)	32.6	33.9	37.9	41.9
Net D/E (%)	(42.8)	2.5	25.6	43.2

Source: Thanachart estimates

Stock Data

Closing price (Bt)	47.0
Target price (Bt)	60.0
Market cap (US$ m)	783.0
Avg daily turnover (US$ m)	5.1
12M H/L price (Bt)	58.50/40.00

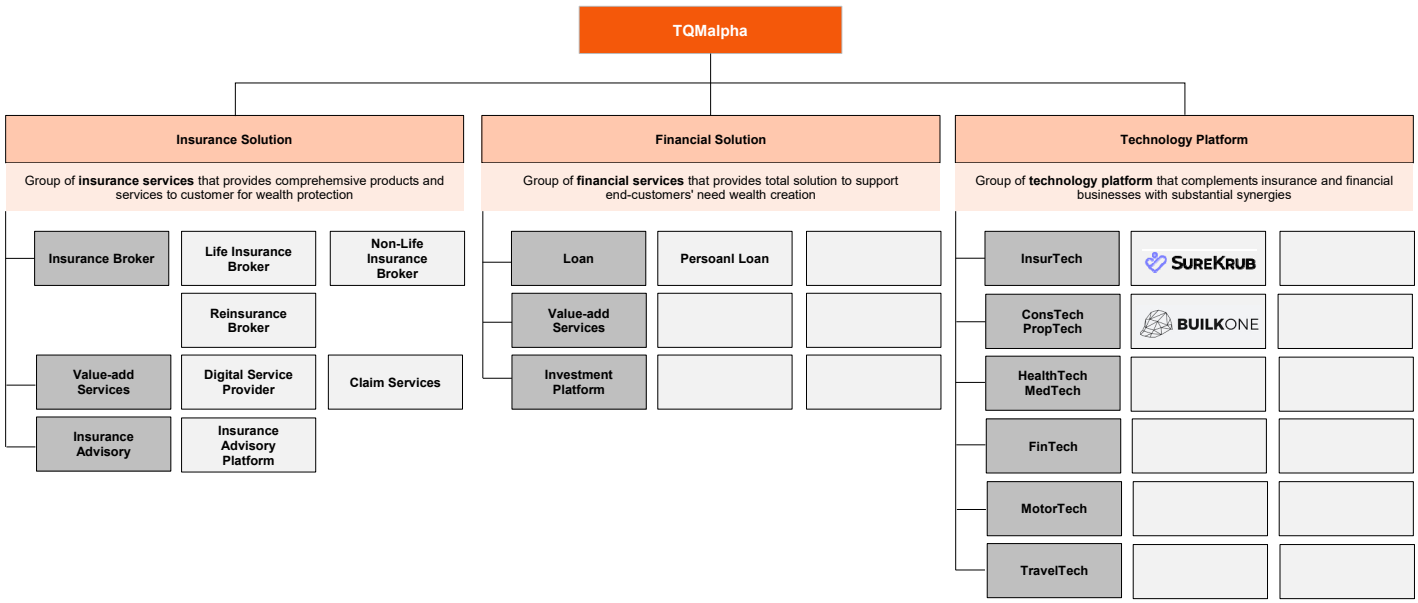
Price Performance



Source: Bloomberg

earnings contributions in near term and leave our earnings projection and TP as is.

Ex 1: New Business Structure



Source: Company data

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