

TQM Alpha Pcl (TQM TB) - HOLD

Sarachada Sornsong | Email: sarachada.sor@thanachartsec.co.th

Analyst Meeting**Two acquisitions**

- **TQM maintains 5-10% revenues growth**
- **Expanding to older car segment**
- **Additional equity income from 2H24**
- **Earnings recovery on track**

TQM grew revenues by 8% y-y in 1H24, in line with the company's annual growth target of 5-10% for 2024-2026. The company does not foresee the need for significant expansions or investments. It has already made two investments, totaling Bt320m, acquiring a 19.43% stake in Mygroup Intelligent and a 25% stake in Ngern Rueang Jib. These investments are expected to contribute positively to equity income starting from 3Q24, with potential IPO plans in the future.

- 2Q is typically a low season, so revenues declined q-q. However, total revenues increased by 8% y-y in 1H24, driven by growth in motor and non-motor insurance and improved renewal rates.
- The company continues to see a substantial backlog of 20 million cars. It has been expanding into the older car segment, focusing on vehicles over three years old. As a result, the slump in domestic car sales year-to-date is not expected to have an adverse impact on motor insurance sales. Meanwhile, EV penetration is increasing, and insurance premiums for EVs are higher than those for internal combustion engine (ICE) vehicles.
- On July 19, 2024, TQM invested Bt300m for a 19.4% stake in Mygroup Intelligent. Mygroup owns Mysave and Shippop, logistics brokers with over 5,300 and 1,300 service points, respectively. As brokers, Mysafe and Shippop do not need to invest in logistics fleets. They also serve as agents for several logistics companies, including Thai Post, Flash Express, DHL and Ninja etc.
- TQM has lent money to Mygroup in recent years and sees potential for synergistic benefits. Mygroup is a profitable company, generating Bt36m in net profits in 2023. It aims to grow net profits to Bt70m this year and Bt100m by 2025.
- TQM plans to utilize Mygroup's service points as leads for its insurance sales. The company intends to upgrade Mygroup's franchise network capabilities and explore opportunities for overseas expansion in the future.
- With an investment cost of Bt300m, TQM acquired Mygroup at approximately 22x P/E based on the forecasted net profit of Bt70m in 2024. While the valuation is not cheap, the deal is accretive, with an additional equity income contribution of around Bt7m in 2H24 and Bt19m in 2025.
- In another deal, TQM invested Bt20m for a 25% stake in Ngern Rueang Jib (NRJ) at par value through Easy Lending (EL). Established in 2022, NRJ operates JIPJIP Money, which provides consignment services for luxury assets such as high-end bags, watches, and jewelry.
- JIPJIP Money operates under the Pawnshop Act BE 2505, allowing it to charge an interest rate of 1.25% per month. The average loan duration is

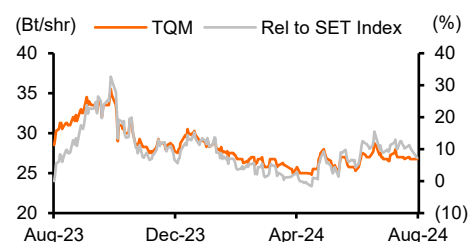
Key Valuations

Y/E Dec (Bt m)	2023A	2024F	2025F	2026F
Revenue	3,685	3,848	4,021	4,206
Net profit	816	862	971	1,090
Norm net profit	816	862	971	1,090
Norm EPS (Bt)	1.4	1.4	1.6	1.8
Norm EPS gr (%)	(2.9)	5.6	12.7	12.3
Norm PE (x)	19.7	18.6	16.5	14.7
EV/EBITDA (x)	12.3	13.5	12.6	11.6
P/BV (x)	5.9	5.5	5.1	4.7
Div. yield (%)	3.7	4.3	4.8	5.4
ROE (%)	30.9	30.5	32.1	33.5
Net D/E (%)	(15.6)	(13.7)	(8.2)	(8.7)

Source: Thanachart estimates

Stock Data

Closing price (Bt)	26.75
Target price (Bt)	30.00
Market cap (US\$ m)	467.3
Avg daily turnover (US\$ m)	0.4
12M H/L price (Bt)	35.50/24.80

Price Performance

Source: Bloomberg

three months, and NRJ has the right to keep collateral in its secure facilities.

- With access to competitive funding, EL will support NRJ's business expansion, enabling it to achieve more attractive returns.
- NRJ will contribute to EL's target loan growth. Since its inception in 4Q21, EL has extended over Bt5bn in new loans. Of EL's total loan portfolio of Bt1.4bn, 70% is premium loans, 27% secured loans, and 3% title loans.

General Disclaimers And Disclosures:

This report is prepared and issued by Thanachart Securities Public Company Limited (TNS) as a resource only for clients of TNS, Thanachart Capital Public Company Limited (TCAP) and its group companies. Copyright © Thanachart Securities Public Company Limited. All rights reserved. The report may not be reproduced in whole or in part or delivered to other persons without our written consent.

This report is prepared by analysts who are employed by the research department of TNS. While the information is from sources believed to be reliable, neither the information nor the forecasts shall be taken as a representation or warranty for which TNS or TCAP or its group companies or any of their employees incur any responsibility. This report is provided to you for informational purposes only and it is not, and is not to be construed as, an offer or an invitation to make an offer to sell or buy any securities. Neither TNS, TCAP nor its group companies accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

The information and opinions contained herein have been compiled or arrived at from sources believed reliable. However, TNS, TCAP and its group companies make no representation or warranty, express or implied, as to their accuracy or completeness. Expressions of opinion herein are subject to change without notice. The use of any information, forecasts and opinions contained in this report shall be at the sole discretion and risk of the user.

TNS, TCAP and its group companies perform and seek to perform business with companies covered in this report. TNS, TCAP, its group companies, their employees and directors may have positions and financial interest in securities mentioned in this report. TNS, TCAP or its group companies may from time to time perform investment banking or other services for, or solicit investment banking or other business from, any entity mentioned in this report. Therefore, investors should be aware of conflict of interest that may affect the objectivity of this report.

Note: Thanachart Securities Public Company Limited act as a Market Maker and Derivative Warrants Issuer. At present, TNS has issued Derivative Warrants underlying securities before making investment decisions.

Note: Thanachart Capital Pcl (TCAP) holds an 89.96% of Thanachart Securities (TNS). TCAP holds a 100% of Thanachart SPV1 Co. Ltd. TCAP and Thanachart SPV1 combinedly hold a 60% stake in THANI.

Note: Thanachart Capital Public Company Limited (TCAP), TMBThanachart Bank Public Company Limited (TTB), are related companies to Thanachart Securities Public Company Limited (TNS). Thanachart Securities Pcl is a subsidiary of Thanachart Capital Pcl (TCAP) which holds 24.35% of the shareholding in TMBThanachart Bank Pcl.

Note: Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMITED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

Note: Thanachart Securities Public Company Limited (TNS) acts as an underwriter of “Debentures of Srisawad Corporation Public Company Limited (SAWAD) No. 4/2024 (B.E. 2567) tranche 1-3 which its maturity at 2027-29 (B.E. 2570-72), therefore investors need to be aware that there could be conflicts of interest in this research.

Note: Thanachart Securities Public Company Limited (TNS) acts as an underwriter of “Debentures of MUANGTHAI CAPITAL PUBLIC COMPANY LIMITED No. 7/2024 (B.E. 2567) tranche 1-3 which its maturity at 2026-28 (B.E. 2569-71)”, therefore investors need to be aware that there could be conflicts of interest in this research.

Disclosure of Interest of Thanachart Securities**Investment Banking Relationship**

Within the preceding 12 months, Thanachart Securities has lead-managed public offerings and/or secondary offerings (excluding straight bonds) of the securities of the following companies: Euroasia Total Logistics Pcl (ETL TB).