

RHB Research

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Tune Ins - Getting a New Home

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TIH announced yesterday that its Malaysian general insurance subsidiary, Tune Insurance Malaysia (TIMB), plans to dispose of some freehold properties along Jalan Ampang to Santa Grand Hospitality SB for a total cash consideration of MYR12.8m.

- Moving into a new home. The freehold properties comprise a 3.5-storey and 4-storey shop-offices located at No 38 and No 36 respectively along Jalan Ampang. These are the present head offices of the TIH Group. As the present premises are about 40 years old, there is a need for the growing group to relocate to a new office, which the announcement said would take place within three to six months.

- One-off item with no impact on earnings. TIH is expected to realise a gain on disposal of MYR3.96m for FY13. This is based on the properties' market value of MYR13m as at 8 March, its original MYR12.8m cost and its net book value of MYR8.58m. We view this as a non-recurring item, which may only push up the Company's FY13F PBT by 5%. Nevertheless, as the proceeds will not have a significant impact on earnings, we believe these will be utilised on renovation of the new office as well as on TIH's ongoing rebranding exercise. The Group is in the midst of rebranding its insurance products to Tune INSURE from AirAsia INSURE previously to enhance its reputation as a specialised online insurance manager.

- TIMB turnaround in progress. Although we make no changes to our forecast, we are positive on this move to a rejuvenated work environment without any disruption to TIMB's operations that may arise during renovation of the office premises. That said, TIMB is notching up a faster-than-expected turnaround in underwriting margins and seeing its combined ratios improve to 92.4% in 1QFY13 versus 102.7% in 1QFY12.

- More catalysts to be unfold. We still like TIH as a regional exposure to the online travel insurance segment as well as its exclusive low-cost airline partnerships, which may potentially trigger the stock's re-rating. In the near term, we are assessing the Thai government's decision to impose mandatory travel insurance for tourists and the growing prospects of AirAsia India, which are both substantial potential catalysts. TIH is also still on the lookout for overseas acquisition opportunities. Upgrade to BUY as the recent weakness in the share price offers decent upside potential.

<b>Forecasts and Valuations</b>	<b>Dec-10</b>	<b>Dec-11</b>	<b>Dec-12</b>	<b>Dec-13F</b>	<b>Dec-14F</b>
Net premium revenue (MYRm)	165	211	217	225	268
Net income to ord equity (MYRm)	30	49	39	61	79
Net profit growth (%)	59.2	66.1	(20.4)	56.1	29.3
Recurrent net profit (MYRm)	30	49	47	61	79
Consensus EPS (MYR)	0.04	0.07	0.06	0.09	0.10
EPS (MYR)	0.04	0.07	0.06	0.08	0.11
DPS (MYR)	0.00	0.00	0.00	0.03	0.04
Dividend Yield (%)	-	-	-	1.5	2.0
Return on average equity (%)	-	-	-	17.8	20.4
Return on average assets (%)	-	-	-	6.7	7.2
P/E (x)	53.3	32.1	33.3	25.9	20.0
P/B (x)	-	-	14.7	4.3	3.8

*Source: Company data, RHB Estimates*

Source: RHB