

## Tune Ins grows on bright regional prospects, rising investor optimism

by Venu Puthankattil, [venu@theborneopost.com](mailto:venu@theborneopost.com).

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KUCHING: Tune Ins Holdings Bhd's (Tune Ins) share price has seen a rapid boost of late as the insurance group continues to attract market enthusiasm which is said to build an increased appetite for growth stocks after Malaysia's May 5 general elections.

Tune In's share price has surged 38.5 per cent since its listing on February 20, 2013 and 10.6 per cent since Malaysia's general elections while in other developments, it has started selling travel insurance in Myanmar via its tie-up with a leading low-cost carrier.

Remarking on the climbing stock price and brightening outlook, CIMB Investment Bank Bhd's research wing (CIMB Research) analyst Winson Ng stated, "The surge in its share price does not surprise us given our own positive view on its earnings prospects.

"We are projecting strong net-profit growth of 17.8 per cent for FY14 (financial year 2014) and 14.3 per cent for FY15.

"The jewel in the crown for the company is its travel insurance business via its tie-up with the leading low-cost carrier, which provides the company with regional exposure and margins of 50 per cent plus," he pointed out.

He added that investors seem to concur with CIMB Research's positive view on Tune Ins' proposed acquisition of a 70 per cent stake in Batavia Mitratama Insurance (BMI) in Indonesia for 83.9 billion rupiah or RM26 million which it had announced on April 30.

The purchase of BMI would enable the group to take full control of its travel-insurance business in Indonesia and venture into Indonesia's underpenetrated insurance market, he reckoned while estimating that the deal could enhance Tune's FY14 earnings per share (EPS) by 3.6 per cent.

Meanwhile, Tune Ins has just started selling travel-insurance products for the flights of its partner departing from Myanmar.

Although Ng noted that contributions are negligible for now, this development reflects its continuous drive for regional expansion, which would also add new markets to its portfolio.

On top of that, Tune Ins aims to strengthen its business in its key markets via mergers and acquisitions, the analyst added.

In terms of stock valuation, Ng raised the target price to RM2.10 per share due the removal of CIMB Research's earlier 10 per cent discount to its dividend discount model value in line with the in-house upgrade of the market to a higher price earnings ratio target of 15.6-fold, from 13.5-fold.

The value was premised on 8.9 per cent cost of equity and five per cent long-term growth given the group's continuous regional expansion.

This was also on the back of his reaffirmed bullish outlook on the group "with swift growth in travel-insurance business and EPS-accretive acquisition in Indonesia as catalysts."

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