Tune Ins Holdings Berhad Announces Year-On-Year increase in Net Profit of 83%

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Summary

Tune Ins Holdings Berhad (TIH) has announced a strong set of quarterly earnings for the first quarter financial year 2013 ("1Q13"). On revenues of RM 86.8 million, TIH's year-on-year ("Y-o-Y") pre-tax profits increased by 104% to RM 17.0 million compared to 2012 while net profits increased by 83% to RM 15.2 million.

Additionally, following TIH's IPO in February 2013 TIH now has zero gearing and total equity of RM 340.1 million, up from RM 139.8 million at the start of the quarter.

Comparing 1Q13 with 4Q12, the Group's operating revenue registered a decrease of RM 3.4 million or 4% with net-profit and pre-tax profit declining by RM 5.5 million and RM 9.0 million respectively after reserve releases in 4Q12 following annual actuarial valuation.

"We are very pleased with the start we have made in 2013 demonstrating continued good performance in both our online business and our Malaysian general insurance business," said CEO Peter Miller. "I am particularly pleased that this was achieved without short-cuts by focusing on the sale of products that have traditionally provided decent margins and are thus in the long-term interests of the company."

Online business

TIH's online insurance business, which is centred around strategic partnerships with AirAsia, AirAsia Expedia and Tune Hotels, provided a net profit of RM11.3 million against revenue of RM 22.4 million with revenue growing 33% against 1Q12 and net profit growing 30%.

TIH's online business issued 1.8 million policies in 1Q13, a 20% increase on the same period in 2012. The business is increasingly regionally diversified with non-Malaysian markets accounting for 54% including strong contributions from Thailand, Indonesia and China.

On a Q-on-Q basis TIH's online business increased by 12.3% aided by an increase in the numbers of policies sold as well as improved reinsurance terms.

Tune Insurance Malaysia Berhad ("TIMB")

TIH's Malaysian general insurance company TIMB continued its good progress following the acquisition of Oriental Capital Assurance by TIH in May 2012. Sales (Gross Written Premium) increased 55% against 1Q12 and Net Profit increased to RM 7.9 million against RM 2.8 million in 1Q12.

Given its focus on profits, TIMB has sought to sell a more balanced portfolio of products with motor making up 27% of the portfolio against 47% one year earlier. This has been achieved through introduction of new products as well as recruitment of agents with a track-record of selling a more balanced portfolio. The number of agents in TIMB increased by 100 to 1,131 in the quarter.

TIMB made an underwriting profit of RM 4.3 million in the quarter prior to allowance for the Malaysian Motor Insurance Pool ("MMIP") against an underwriting loss in the same period in 2012. This equates to an underwriting margin of 14% before MMIP and 7.6% after allowing for MMIP.

TIMB has a strong balance sheet reflected in its Capital Adequacy Ratio ("CAR") which is now at 240% against 226% at the start of the quarter and 174% in 1Q 2012.

Against 4Q12 sales increased 23.8% with net profit declining RM 7.4 million or 48.5% due to reserve releases in 4Q12 after annual actuarial valuation.

Outlook

Peter concluded "We are excited by the opportunities we have before us and through these we aim to continue to increase profits in both our Online business and in TIMB as well as in other general insurers we acquire.

- For our Online business we aim to continue the good performance demonstrated in Q1 with AirAsia as well as improve revenue in H2 via enhanced offerings for Tune Hotels and AirAsia Expedia and our new Travel insurance partnership with Malayan Insurance Co. Inc. (MICO) in the Philippines through which Tune Ins will manage travel insurance for all passengers on Cebu Pacific Air flights to the Philippines. By demonstrating our ability to work with regional airlines outside the AirAsia group we believe that our continued business development efforts to form additional strategic partnerships will yield positive results.

- For our Malaysian general insurance company, our focus remains on underwriting profits and thus whilst adding proven agents to our distribution team and continuing to upgrade our technology, we will continue to drive a balanced product portfolio and effective claims management.
- In terms of strategic acquisitions we will work with Indonesian regulators in an effort to conclude our purchase as soon as possible. We will focus on the integration of our Indonesian acquisition before actively seeking further acquisitions."

If you have further queries or require more information, kindly contact:

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