

15 January 2016 | Corporate Update

Tune Protect Group Bhd

Time to bargain hunt

Maintain BUY

Unchanged Target Price (TP): RM1.86

INVESTMENT HIGHLIGHTS

- The share price of Tune has declined **-11%** since the start of New Year. However, we see the selloff as overdone
- We expect the Group's earnings to still be intact on the back of our projected growth in airline passenger traffic which will be supportive of the demand for travel insurance
- We make no changes to our FYs earnings forecast
- Hence we reiterate our **BUY** recommendation with an unchanged TP of **RM1.86** per share

Share price has declined by more than -10% since November 2015. The share price has fallen by -11% arguably amid concerns over global economic slowdown. Nonetheless, the timeframe also coincided with the release of its 3QFY15 results in mid-November 2015 but this was despite its cumulative earnings which came in within our expectation. Alternatively, the drop in its share price was perhaps attributable to anticipation of a lower than expected earnings in the upcoming quarter's (4QFY15) results.

Sell down overdone. However, we opine that the sell down on Tune stock has been overdone as it now trades at undemanding valuation of 11.7x FY16 earnings estimate. We believe the Group's earnings outlook is still on the bright side as travel demand remains healthy despite various headwinds. We expect the total airline passenger traffic to grow by 3% in 2016. As the Group already captured approximately 70% of the market share of local travel insurance, we continue to see this as its strength towards our expectation of an earnings growth of 12.9% in FY16. Meanwhile, on detariffication of fire and motor premium rates, we view that the adverse impact will be minimal as the business contributes less than 30% to the Group's PAT.

Impact on earnings. Premised on above, we maintain our FY15 and FY16 earnings forecasts.

Recommendation. Hence, we reiterate our **BUY** stance with an unchanged TP of **RM1.86** per share. This is based on FY16 EPS of 9.8sen pegged to 3-year historical PER average of 19x and implied 2.7x PBV. We this is justifiable given that it has dominant market share in local travel insurance. We perceive the current share price as attractive for investors to accumulate.

Risks. The downside risks include: (1) further economic slowdown will pose an adverse impact on the group's travel insurance business, and (2) strain on capital position in the event of higher insurance claims.



| RETURN STATS | |
|------------------------------|---------------|
| Price (14 Jan 2016) | RM1.15 |
| Target Price | RM1.86 |
| Expected Share Price Return | +61.7% |
| Expected Dividend Yield | +3.4% |
| Expected Total Return | +65.1% |

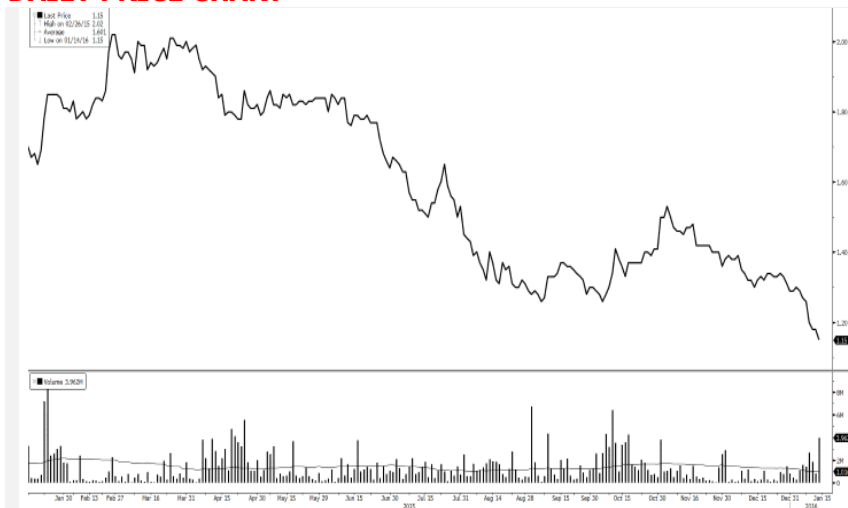
| STOCK INFO | |
|------------------------|----------------|
| KLCI | 1,633.44 |
| Bursa / Bloomberg | 5230 / TIH MK |
| Board / Sector | Main / Finance |
| Syariah Compliant | No |
| Issued shares (mil) | 751.8 |
| Par Value (RM) | 0.10 |
| Market cap. (RM'm) | 864.5 |
| Price over NTA | 2.17x |
| 52-wk price Range | RM1.14– RM2.08 |
| Beta (against KLCI) | 1.05x |
| 3-mth Avg Daily Vol | 1.09m |
| 3-mth Avg Daily Value | RM1.48m |
| Major Shareholders (%) | |
| Tune Group | 16.64 |
| AirAsia Berhad | 13.65 |
| CIMB SI II S/B | 9.40 |
| KWAP | 7.53 |

INVESTMENT STATISTICS

| FYE Dec | FY13 | FY14 | FY15F | FY16F |
|-----------------------------------|--------------|--------------|--------------|--------------|
| Operating revenue (RM'm) | 388.1 | 443.5 | 506.2 | 582.7 |
| Net earned premiums (RM'm) | 241.1 | 268.1 | 298.3 | 344.3 |
| Other revenue (RM'm) | 53.1 | 58.2 | 63.6 | 71.4 |
| Net claims (RM'm) | -94.0 | -109.6 | -122.3 | -141.1 |
| Other expenses (RM'm) | -123.9 | -140.7 | -170.7 | -196.9 |
| Pre-tax profit (RM'm) | 76.3 | 79.8 | 68.8 | 77.7 |
| Normalised PATAMI (RM'm) | 68.0 | 68.3 | 61.9 | 69.9 |
| Diluted EPS (sen) | 9.3 | 9.6 | 8.7 | 9.8 |
| EPS growth (%) | -42.8 | -9.8% | -4.3 | 12.9 |
| PER (x) | 21.0 | 17.6 | 13.2 | 11.7 |
| Net dividend (sen) | 3.9 | 4.0 | 3.5 | 3.9 |
| Net dividend yield (%) | 2.0 | 2.4 | 3.0 | 3.4 |
| Book value (sen) | 48.0 | 54.0 | 59.6 | 66.9 |
| PBV (x) | 4.1 | 3.1 | 1.9 | 1.7 |

Source: Company, MIDFR

DAILY PRICE CHART



Source: Bloomberg, MIDFR

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MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

| | |
|--------------|--|
| BUY | Total return is expected to be >15% over the next 12 months. |
| TRADING BUY | Stock price is expected to <i>rise</i> by >15% within 3-months after a Trading Buy rating has been assigned due to positive newsflow. |
| NEUTRAL | Total return is expected to be between -15% and +15% over the next 12 months. |
| SELL | Total return is expected to be <-15% over the next 12 months. |
| TRADING SELL | Stock price is expected to <i>fall</i> by >15% within 3-months after a Trading Sell rating has been assigned due to negative newsflow. |

SECTOR RECOMMENDATIONS

| | |
|----------|--|
| POSITIVE | The sector is expected to outperform the overall market over the next 12 months. |
| NEUTRAL | The sector is to perform in line with the overall market over the next 12 months. |
| NEGATIVE | The sector is expected to underperform the overall market over the next 12 months. |