

Tune Protect Group Berhad

(5230 | TIH MK) Financial Services | Insurance

2Q20 Impacted by Travel Restrictions

KEY INVESTMENT HIGHLIGHTS

- **2Q20 core earnings within estimates.**
- **Operating revenue fell 19%yoy as a result of restrictions on domestic and international travel**
- **Domestic travel restrictions had since been lifted; moderate recovery seen, though restrictions on international travel and Covid19 impact on travel demand still a potential drag.**
- **Upgrade to NEUTRAL from SELL at unchanged TP of RM0.25 after a 20% share price deterioration in past month.**

1H20 results within estimates. Tune Protect Group Berhad (TPG)'s 2QFY20 normalised earnings decreased by 87%yoy to RM1.4m, which brought 1H20 core earnings to RM10m. The 1H20 core earnings is in line with our estimates and consensus accounting for 54% and 49% of FY20F respectively.

Impacted from lower travel. 2Q20 operating revenue declined by 19%yoy and 18%qoq to RM101m dragged by the travel segment mainly. This is mainly due to restrictions in domestic and international air travel in 2Q20, which resulted in significantly lower travel demand across key markets in Malaysia, Thailand, Philippines and Singapore.

Moderate recovery seen. Positively, TPG indicated that the downtrend in the travel segment has bottomed out in April and is seeing a moderate recovery in the following months, after the gradual opening up of the economy and uplifting of restrictions on domestic travel. Airasia resumed operations on a staggered basis in Jun20 and is seeing a gradual increase in passenger seat booking, though GWP for the travel business is still significantly lower than pre-pandemic levels.

Cost reduction efforts. The group has also embarked on a cost cutting exercise which saw Tune Protect Malaysia's combined ratio reduce by 28%. This was mainly driven by lower management expenses (-31%yoy) as a result of reduced staff-related cost, reduced marketing expenses as the group reprioritised marketing spend to campaign-specific targeted marketing, as well as enhanced receivables management. Of the measures, the reduction in marketing expenses accounted for the bulk (i.e. 52%) of the cost reduction in 2Q20.

Recommendation. Following a sharp 20% share price deterioration in the past month, TPG is now trading at close to our target price. We now raise TPG to NEUTRAL from SELL at unchanged TP of RM0.25, pegged to 7x FY21F earnings, at 1-SD below its 2-year historical average PER.

Upgrade to NEUTRAL

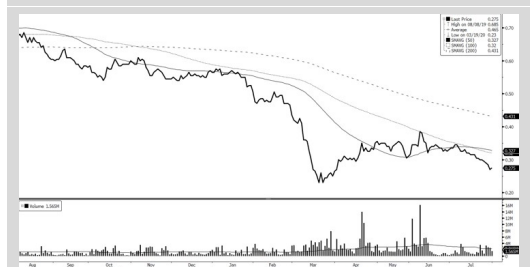
(Previously SELL)

Unchanged Target Price: RM0.25

RETURN STATISTICS

Price @30 th July 2020 (RM)	0.275
Expected share price return (%)	-9.1
Expected dividend yield (%)	+8.8
Expected total return (%)	-0.3

SHARE PRICE CHART



Share price performance (%)	Absolute	Relative
1 month	-20.3	-25.4
3 months	-16.7	-32.0
12 months	-59.9	-59.1

KEY STATISTICS

FBM KLCI	1,603.75
Syariah compliant	No
Issue shares (m)	751.76
Estimated free float (%)	51.42
Market Capitalisation (RM'm)	206.73
52-wk price range	RM0.20 - RM0.68
Beta vs FBM KLCI (x)	1.44
Monthly velocity (%)	0.00
Monthly volatility (%)	22.06
3-mth average daily volume (m)	2.37
3-mth average daily value (RM'm)	0.80
Top Shareholders (%)	
Tune Group Sdn Bhd	15.77
AirAsia Bhd	13.65
CIMB SI II SDN BHD	9.40

Analyst(s)

Hafriz Hezry

hafriz.hezry@midf.com.my

03-2772 1655

INVESTMENT STATISTICS

FYE Dec	FY18A	FY19A	FY20E	FY21F	FY22F
Operating revenue (RM'm)	566.1	500.8	350.6	403.1	443.5
Net earned premiums (RM'm)	295.4	254.7	178.3	222.9	256.3
PATAMI (RM'm)	55.1	61.6	33.9	40.7	48.8
Normalised net profit (RM'm)	45.4	48.3	19.3	28.0	35.0
Diluted EPS (sen)	6.0	6.4	2.6	3.7	4.7
EPS growth (%)	-9.2	6.4	-60.0	45.0	25.0
PER (x)	7.2	6.8	13.2	9.1	7.3
Net dividend (sen)	3.0	3.0	3.0	3.0	3.0
Net dividend yield (%)	6.9	6.9	8.8	8.8	8.8

Source: Company, MIDFR

Tune Protect Group Bhd: 2QFY20 Results Summary

FYE Dec (RM'm)	Quarterly Results			Cumulative		
	2Q20	YoY	QoQ	1H20	1H19	YoY
Operating revenue	100.9	-18.9%	-17.5%	223.3	251.1	-11.1%
Gross earned premiums	93.1	-19.1%	-19.1%	208.1	236.4	-12.0%
Net earned premiums	35.4	-43.9%	-39.3%	93.8	128.2	-26.8%
Investment income	7.9	-16.1%	7.8%	15.2	14.7	3.2%
Fee and commission income	9.6	34.5%	-7.1%	19.9	18.8	5.4%
Other revenue	30.5	38.9%	114.4%	44.7	43.3	3.3%
Gross claims paid	-35.9	-52.7%	-5.2%	-73.7	-143.2	-48.5%
Claims ceded to reinsurers	21.6	-58.9%	-0.8%	43.5	90.2	-51.8%
Gross change to contract liabilities	-65.6	519.6%	287.4%	-82.5	1.0	-8453.2%
Change to contract liabilities ceded	63.1	634.3%	526.2%	73.2	7.5	869.9%
Net claims	-16.7	-33.6%	-26.9%	-39.6	-44.4	-10.9%
Fee and commission expenses	-7.6	-56.9%	-58.1%	-25.9	-39.3	-34.0%
Management expenses	-22.7	-30.7%	-8.4%	-47.5	-57.1	-16.8%
Other expenses	-29.5	-41.9%	-33.5%	-73.8	-96.6	-23.6%
Share of associates and JV	0.8	-43.5%	-145.2%	-1.0	2.5	-140.9%
Profit before tax	20.6	91.7%	476.0%	24.2	33.0	-26.8%
Taxation	-1.8	-318.4%	128.2%	-2.6	-1.3	102.6%
Normalised PATAMI	1.4	-86.5%	-83.8%	10.4	23.4	-55.7%
Diluted EPS	0.2	-86.4%	-83.8%	1.4	3.1	-55.7%
	2Q20	+/- ppts	+/- ppts	1H20	1H19	+/- ppts
Net Claims ratio	47.2%	7.3	8.0	42.2%	34.6%	7.6
Management expenses ratio	64.1%	12.2	21.6	50.6%	44.5%	6.1
Commission expense ratio	-5.4%	-22.2	-19.0	6.4%	15.9%	-9.5
Combined ratio	105.8%	-2.8	10.5	99.3%	95.1%	4.2
Retention ratio	38.1%	-16.8	-12.6	45.1%	54.2%	-9.2

Source: Company, MIDFR

MIDF RESEARCH is part of MIDF Amanah Investment Bank Berhad (197501002077 (23878 – X)).
 (Bank Pelaburan)
 (A Participating Organisation of Bursa Malaysia Securities Berhad)

DISCLOSURES AND DISCLAIMER

This report has been prepared by MIDF AMANAH INVESTMENT BANK BERHAD (197501002077 (23878-X)). It is for distribution only under such circumstances as may be permitted by applicable law.

Readers should be fully aware that this report is for information purposes only. The opinions contained in this report are based on information obtained or derived from sources that we believe are reliable. MIDF AMANAH INVESTMENT BANK BERHAD makes no representation or warranty, expressed or implied, as to the accuracy, completeness or reliability of the information contained therein and it should not be relied upon as such.

This report is not, and should not be construed as, an offer to buy or sell any securities or other financial instruments. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. All opinions and estimates are subject to change without notice. The research analysts will initiate, update and cease coverage solely at the discretion of MIDF AMANAH INVESTMENT BANK BERHAD.

The directors, employees and representatives of MIDF AMANAH INVESTMENT BANK BERHAD may have interest in any of the securities mentioned and may benefit from the information herein. Members of the MIDF Group and their affiliates may provide services to any company and affiliates of such companies whose securities are mentioned herein. This document may not be reproduced, distributed or published in any form or for any purpose.

MIDF AMANAH INVESTMENT BANK : GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% 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.