

# Asuransi Tugu Pratama Indonesia Tbk PT (TUGU IJ)

Company Update

Sep 2021

## Maintaining its resiliency during Covid-19

**Revenue grows.** TUGU insurance continued to increase in 1H 2021 to Rp1,288bn or up by 7% yoy. The increase was supported by the growth of net premium income which increased by 8.7% yoy to Rp1,206bn. Meanwhile, underwriter income also increased by 5% yoy to Rp991,1bn. The revenue from underwriting generated 77% of the revenue meanwhile investment income was up by 31.8%yoy to Rp153bn. This was the result of the higher interest income from a government bond. The growth of underwriting even in the midst of a pandemic is supported by the company's business portfolio which is still supported by the corporate segment with good risk quality, especially those related to BUMN/SOE-state own enterprise. This has had a positive impact on the quality of risk and the resilience of the company's earnings even in the midst of the COVID-19 turmoil for more than the last 1 year. Based on the insurance portfolio, fire (property insurance) is the largest premium revenue contributor for that contributes 34.4% of the total followed by 16.9% of aviation and 10.39% offshore.

**Stable expense and margin.** The company is able to maintain its expense that resulted in a higher pretax profit margin at 15% in 1H 2021 compared to 12% last year. The pretax income increased by 34%yoy to Rp.192.3bn. This was the result of the decrease of the net claim expense by 1%yoy amid the expansion of the premium. The net claim reached Rp685bn. This describes the ability to maintain the operational expense in an efficient way.

**Strong capital buffer.** The improvement of the net profit and retained earning has resulted in the strong capacity to absorb the risk. The organic capital growth has resulted in the risk-based capital that could be maintained at 427% or above the regulatory capital requirement in insurance at 120%. This provides room for the company to increase its business ahead.

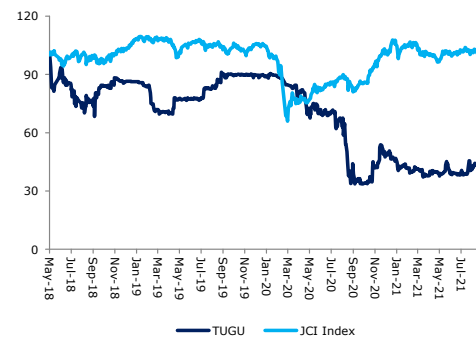
**Improves the digital presence.** The company continues its effort to increase the user experience for its retail client through collaborative action with a payment system such as "LinkAja". The company is also integrating its digital channel by collaborating with its parent's company PT Pertamina through the sale of retail insurance products "t ride" (motorcycle insurance), "t drive" (car insurance), and "t-fracture" (broken bone insurance) on the "MyPertamina" application as well as with Pertamina gas stations and Prestashop for protecting the assets. With the new digital platform, the customer can make claim from anywhere seamlessly.

**Valuation.** The company's resiliency amid the global pandemic environment was supported by its corporate segment that came from the marine hull, offshore insurance, and healthcare insurance. However, the company currently trades at 0.35x PBV or lower than its historical PBV at around 0.6x to 0.7x which signaling room for the investor to enter. Tugu's valuation is also discounted compare to the average peer at 1.25xPBV which points to the attractive valuation.

## Overweight

Current Price(IDR)(9/13)	1,610
<b>Target price(IDR)</b>	<b>3,700</b>
Upside/Downside(%)	129.81%
52 Week High(IDR)	2,170
52 Week Low(IDR)	1,225
Major Share holders:	
Pertamina	58.50%

### Stock Price Movement



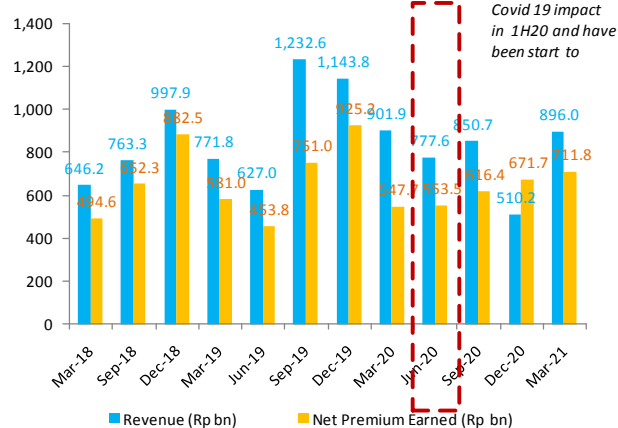
Source: Bloomberg, Shinhan Sekuritas Indonesia

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	30-Jun-21	30-Jun-20	YoY
Revenue			
Gross premium	2,814,372	3,662,106	-23.1%
Reinsurance premium	(1,518,141)	(2,477,244)	-38.7%
Changes in reinsurance assets to premium reserves that have not yet been income	(89,829)	(75,404)	19.1%
Net premium earned	1,206,402	1,109,458	8.7%
Net commission expense	(215,281)	(165,162)	30.3%
Total underwriting income	991,121	944,296	5.0%
Investment income	153,215	116,254	31.8%
Other income	143,939	14,057	924.0%
Revenue	1,288,275	1,201,120	7.3%
Gross claims	962,636	1,263,587	-23.8%
Reinsurance claim	(400,136)	(638,654)	-37.3%
Increase in estimated self-retention claims estimated liabilities for claims	123,115	70,078	75.7%
Total claim	685,615	695,011	-1.4%
Operating expense	336,432	291,791	15.3%
Other operating expense	95,506	96,922	-1.5%
Net others expense	(16,581)	(20,353)	-18.5%
Total expense	1,100,972	1,063,371	3.5%
Profit before share of net income of associates and final tax expense and income tax	187,303	137,749	36.0%
Share of net income of associates	5,068	5,855	-13.4%
Profit before final tax expense and income tax	192,371	143,604	34.0%
Tax	49,943	45,181	10.5%
Net Income	142,428	98,423	44.7%

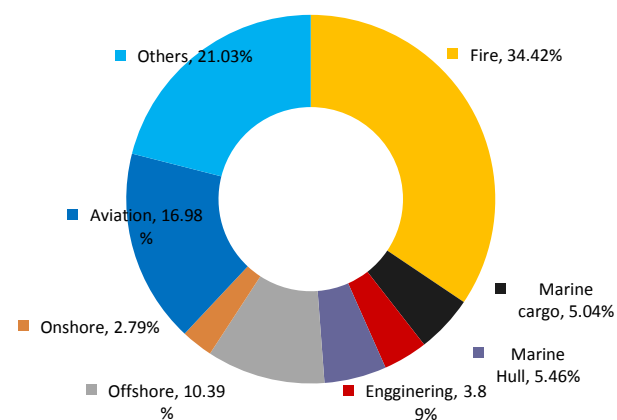
Source: Company

### Quarterly revenue and net premium earned – Shows resilient during covid-19



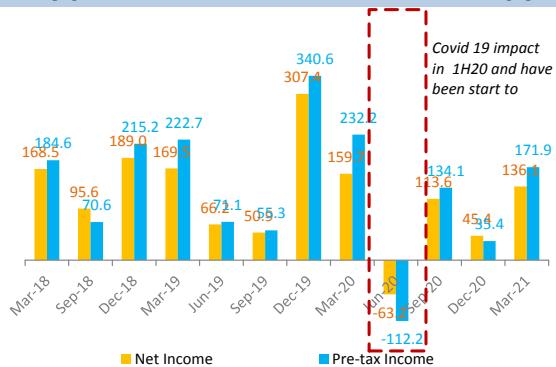
Source: Company, Shinhan Sekuritas Indonesia Estimates

### Revenue composition by business segment



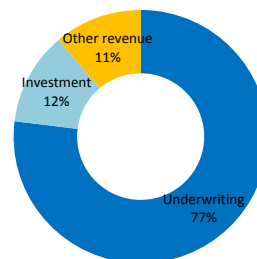
Source: Company, Shinhan Sekuritas Indonesia Estimates

### Quarterly pre-tax income and net income in Rp(bn)



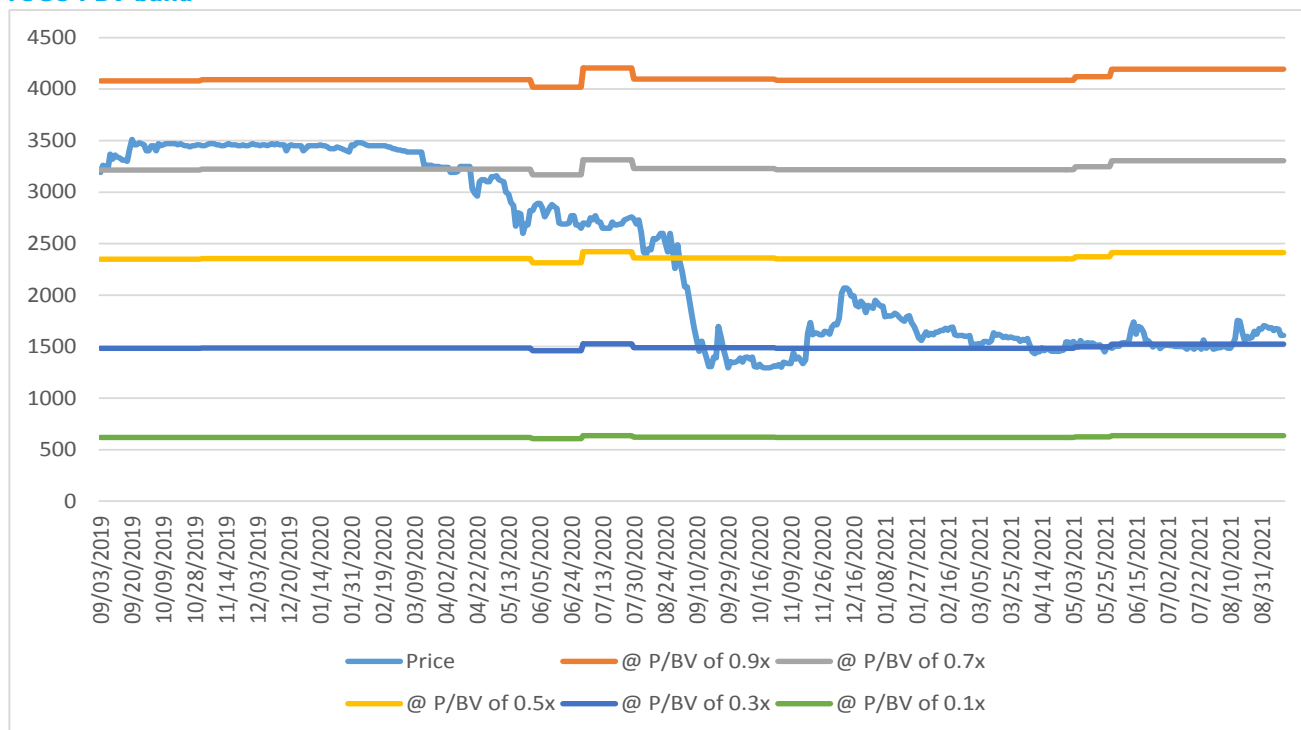
Source: Company, Shinhan Sekuritas Indonesia Estimates

### 77% of the revenue coming from underwriting



Source: Company, Shinhan Sekuritas Indonesia Estimates

### TUGU PBV band



Source: Bloomberg, Shinhan Sekuritas Indonesia

## TUGU comparative valuation matrix

Company Name	Ticker	Current Market Cap	BEst P/E Ratio	Return on Common Equity	Price Earnings Ratio (P/E)	Price to Book Ratio
Asuransi Tugu Pratama Indonesia Tbk PT	TUGU IJ	2,800,000,035,000	-	3.063617166	12.34879518	0.354046097
Asuransi Bina Dana Arta Tbk PT	ABDA IJ	4,314,606,426,000	-	11.8966065	26.78628484	3.066786826
Maskapai Reasuransi Indonesia Tbk PT	MREI IJ	2,298,995,063,640	-	5.558354252	25.18813809	1.358869446
Hanwha General Insurance Co Ltd	000370 KS	534,080,536,125	-	4.105003048	7.754237091	0.354339394
Lotte Non-Life Insurance Co Ltd	000400 KS	567,915,465,600	-	-1.313047459	-	0.571056153
Korean Reinsurance Co	003690 KS	1,127,858,616,920	-	5.258366124	7.372188308	0.384320778
Meritz Financial Group Inc	138040 KS	4,824,406,584,000	-	18.51117775	7.848283013	1.376191737
Hyundai Marine & Fire Insurance Co Ltd	001450 KS	2,288,640,000,000	-	7.797751981	5.466159542	0.434650373
Great Eastern Holdings Ltd	GE SP	10,095,895,742	8.962184874	14.25530281	7.756363609	1.041093046
Samsung Fire & Marine Insurance Co Ltd	000810 KS	11,204,148,950,500	-	6.621552727	9.52557253	0.602877049
QBE Insurance Group Ltd	QBE AU	17,466,000,036	13.85091991	-4.213694507	-	1.456047929
Sompo Holdings Inc	8630 JP	1,940,571,881,822	-	8.159846503	12.01760795	0.869868919
MS&AD Insurance Group Holdings Inc	8725 JP	2,321,104,603,810	-	5.6248342	13.15222949	0.661976181
Syn Mun Kong Insurance PCL	SMK TB	5,850,000,000	6.442731278	2.512480511	35.79312674	0.890830736
PVI Holdings/Vietnam	PVI VN	9,477,187,240,800	10.6962664	10.84606551	12.14580986	1.293937903
Allianz Ayudhya Capital PCL	AYUD TB	14,243,703,557	-	7.49043722	11.14163518	0.852668755
LPI Capital Bhd	LPI MK	5,521,587,964	-	17.84865209	15.88356596	2.671587155
Xishui Strong Year Co Ltd Inner Mongolia	600291 CH	5,301,362,233	-	-	0.287472221	2.718733322
New India Assurance Co Ltd/The	NIACL IN	276,864,000,000	18.02575107	6.793710102	16.88442211	1.404275036
China Reinsurance Group Corp	1508 HK	36,532,634,953	4.269194638	7.972217942	4.2859721	0.322561241
ICICI Lombard General Insurance Co Ltd	ICICIGI IN	744,196,478,007	51.91405011	21.71090721	50.50447317	10.00747421
PICC Property & Casualty Co Ltd	2328 HK	167,710,450,385	6.545336057	-	5.746773037	0.713284486
People's Insurance Co Group of China Ltd/The	1339 HK	248,853,627,304	5.17630769	12.05524889	3.823668365	0.443244445
<b>Weighted Average</b>				9.17	13.08	1.25

Source: Bloomberg, Shinhan Sekuritas Indonesia



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