

05 March 2018 | Corporate Update

Syarikat Takaful Malaysia Berhad

The way forward

INVESTMENT HIGHLIGHTS

- **STMB's launched a new digital platform**
- **Few head agreements were signed, on new digital distribution**
- **Maintain earnings forecast for FY18 and FY19**
- **We maintain our BUY stance with TP of RM4.65 per share**

Inking partnership with digital platform provider. The group launched its new digital platform, "Click for Cover", on 2 March 2018. Following the launch, few agreements/ memorandum were inked between Syarikat Takaful and other parties namely Fusionex, Lembaga Tabung Haji and Bank Islam.

Looking at the prospect. The main highlight was the formation of partnership between Syarikat Takaful and Fusionex, an established IT software group that specializes in Analytics and Big Data. Fusionex is expected to provide seamless customer experience for purchasing Syarikat Takaful products online. We view this latest development as positive as it could strengthen the digital footprint of the group in the takaful market. We also view that collaboration formed with Tabung Haji and Bank Islam, as complimentary to its digitalization strategy as it forms a stronger distribution channels for its takaful products offered in the "Click to Cover" platform. Via the platform, the takaful provider will be able to introduce online Takaful products to depositors of LTH and customers of BIMB.

Our view. We believe the impact of these developments to be positive for the group, enhancing its capability to increase the group's overall takaful contribution. Moving forward, as the new online channel reaches its maturity; we opine that underwriting margin to see improvement stemming from lower management expenses in the medium term. Also, we opine claim expenses in the future to stabilize, stemming from better risk-matching exercises in the general segment. Additionally, online platform will widen takaful products reach to consumers, leveraging on the high penetration rate of online presence in the local market.

Impact to earnings. No immediate impact to earnings, considering that the developments are still at nascent stage.


Maintain BUY
Unchanged Target Price (TP): RM4.65

RETURN STATS

Price (2 March 2018)	RM3.58
Target Price	RM4.65
Expected Share Price Return	+29.8%
Expected Dividend Yield	+3.6%
Expected Total Return	+33.5%

STOCK INFO

KLCI	1,860.86
Bursa / Bloomberg	6139 / STMB MK
Board / Sector	Main / Finance
Syariah Compliant	Yes
Issued shares (mil)	823.1
Par Value (RM)	0.20
Market cap. (RM'm)	2,946.9
Price over NA	3.47x
52-wk price Range	RM3.17 – RM4.25
Beta (against KLCI)	1.0x
3-mth Avg Daily Vol	0.70m
3-mth Avg Daily Value	RM0.40m
Major Shareholders (%)	
BIMB Holdings	59.72
EPF	12.27

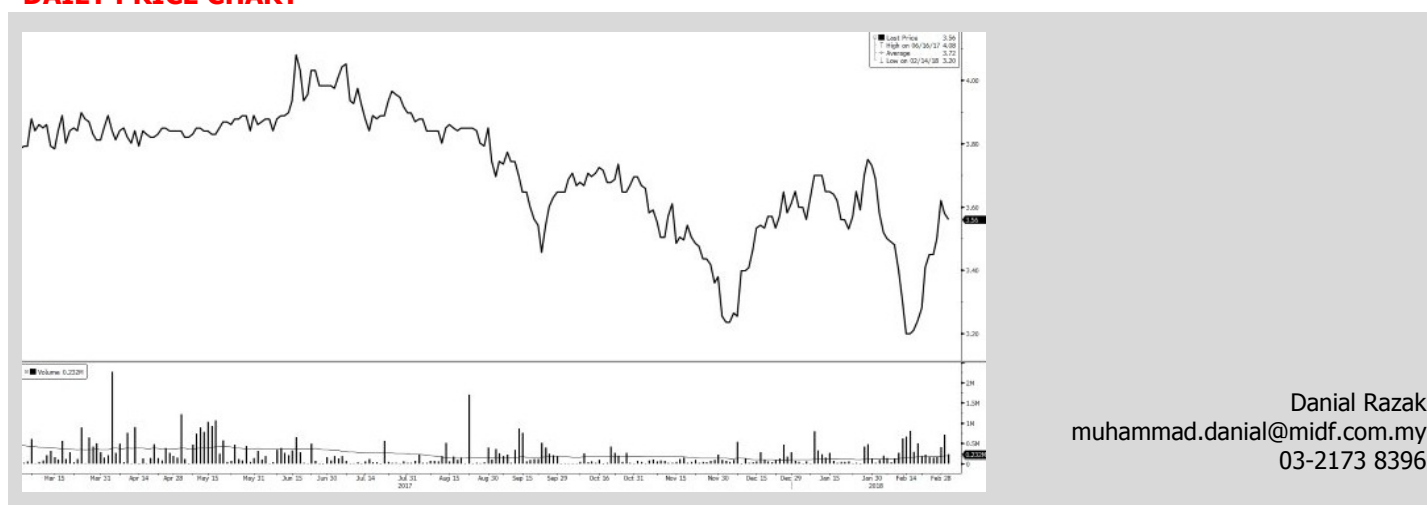
Valuation and recommendation. Maintain **BUY**. Given our positive view on the partnership agreements signed, we maintain our BUY call on Syarikat Takaful with TP of RM4.65. We believe STMB is well positioned to take advantage of the underserved consumer market, which is mostly represented by demographic population that favours Islamic products and takaful protection. Recall that Malaysia has low penetration of life/takaful insurance subscription issue circa 56.2% (vs 75% target by 2020). With greater intensity of digitalization adopted in the group's operation, it will enable STMB to boost its core earnings reaching out to targeted market. As the only listed pure takaful player on Bursa, we view that the recent retracement of its share price makes the stock an attractive investment proposition. 

INVESTMENT STATISTICS

FYE Dec	FY15	FY16	FY17	FY18F	FY19F
Operating revenue (RM'm)	1,788.6	2,013.3	2,139.2	2,284.7	2,321.0
Net earned contributions (RM'm)	1,256.4	1,486.3	1,521.4	1,624.9	2,145.0
Pre-tax and zakat profit (RM'm)	204.2	221.0	253.7	244.5	294.5
PAZTAMI (RM'm)	156.0	176.3	206.7	214.3	232.4
Diluted EPS (sen)	19.0	21.4	25.0	26.6	28.2
EPS growth (%)	10.8	12.6	16.8	6.3	6.0
PER (x)	18.9	16.8	14.4	13.5	12.8
Net Dividend (sen)	7.4	12.0	15.0	13.0	13.0
Net Dividend Yield (%)	2.1	3.3	4.2	3.6	3.6
Book Value (sen)	84.0	89.0	95.0	91.0	93.0
PBV (x)	4.3	4.0	3.8	3.9	3.9
ROE (%)	22.6	24.2	24.8	26.3	27.9
ROA (%)	2.1	2.3	2.5	2.6	2.8

Source: Bursa Malaysia, MIDFR

DAILY PRICE CHART



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Source: Bloomberg

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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.