



## Syarikat Takaful Malaysia Keluarga Berhad

(6139 | STMB MK) Financial Services | Finance

### 1QFY24 Results: Investment Returns Offer Boost

#### KEY INVESTMENT HIGHLIGHTS

- 3MFY24's Core NP of RM102m was *Within/Within* our/street forecasts: **26%/26%** of full-year forecasts
- Core themes: (a) Stronger investment returns, (b) Lower retakaful expenses
- Forecasts unchanged
- **Maintain BUY | Unchanged TP of RM4.97 | based on an unchanged FY25F P/BV of 1.84x**

**Verdict:** **Undervalued, given its strong profit-generating potential and widening presence.**

<b>Yays</b>	1. Islamic loan growth outlook remains very strong. 2. Contributions continue to post-double-digit growth, coupled with a recovery in post-pandemic ROEs.
<b>Nays</b>	1. Overreliance on bancatakaful makes STMB more vulnerable to unfavourable loan growth trends.
<b>OKs</b>	1. Moderate dividend yields of 4-5%, lower than some industry peers. 2. Investment returns are unpredictable and not sustainable.

#### Results in a nutshell:

▲ **3MFY24's Core net profit (NP) of RM102m up by +9%yoy.** This improvement was driven by better investment returns (offsetting higher net takaful finance expenses) and stronger takaful service results.

▲ **1QFY24's Core NP of RM102m up by +46%qoq.** The sharp increase was driven largely by lower retakaful expenses (both takaful revenue and expenses shrank) and stronger investment returns.

**Forecasts unchanged.** We make no changes to our forecast.

**Key downside risks.** (1) Higher-than-expected claims/reinsurance ratio, (2) Slowdown in GWP growth, (3) Further increases in operational cost.

**Maintain BUY call: Unchanged GGM-TP of RM 4.97 (from RM4.97).** The TP is based on an unchanged FY25F P/BV of 1.84x (formerly 1.84x), to reflect altered earnings prospects and ROE-based valuations.

**(GGM assumptions: FY25F ROE of 20.2%, LTG of 3.5% & COE of 12.6%)**



**Maintain BUY**

**Unchanged Target Price: RM4.97**

#### RETURN STATISTICS

Price @ 27 May 2024 (RM)	3.86
Expected share price return (%)	+28.8
Expected dividend yield (%)	+4.6
<b>Expected total return (%)</b>	<b>+33.3</b>

#### SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.6	2.4
3 months	5.6	-6.4
12 months	15.2	1.1

#### INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
<b>Core NP (RM m)</b>	<b>389</b>	<b>421</b>	<b>441</b>
CNP growth (%)	12	8	5
<b>Div yield (%)</b>	<b>4.2</b>	<b>4.6</b>	<b>4.8</b>
Gross DPS (sen)	16.3	17.6	18.4
<b>P/BV (x)</b>	<b>1.6</b>	<b>1.4</b>	<b>1.3</b>
BVPS (RM)	2.4	2.7	3.1
<b>ROE (%)</b>	<b>21.5</b>	<b>20.2</b>	<b>18.6</b>
<b>MIDF/Street CNP (%)</b>	<b>100</b>	<b>101</b>	<b>100</b>

#### KEY STATISTICS

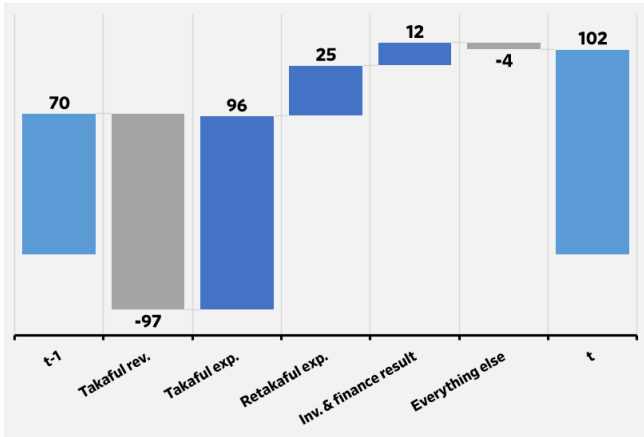
FBM KLCI	1,618.27
Issue shares (m)	837.3
Estimated free float (%)	38.0
Market Capitalisation (RM'm)	3,181.8
52-wk price range	RM3.19 - RM4.02
3-mth avg daily volume (m)	0.6
3-mth avg daily value (RM'm)	2.2
Top Shareholders (%)	
Lembaga Tabung Haji	28.2
EPF Board	15.5
KWPD	6.8

**Analyst**

Samuel Woo

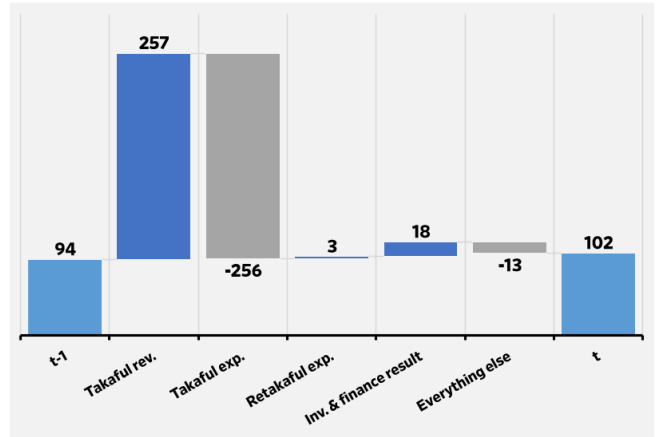
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**Fig 1: QoQ P/L walk (Quarterly results)**



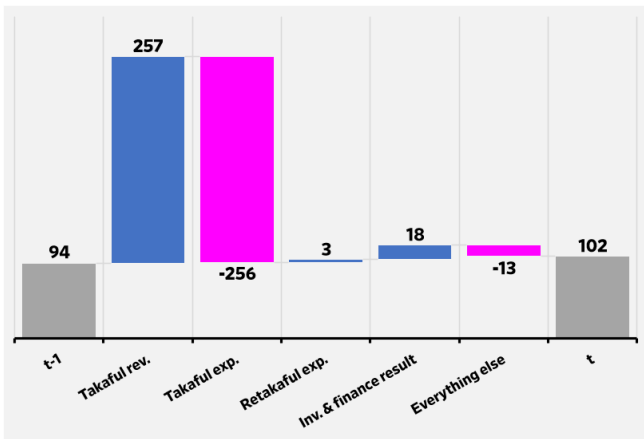
Source: STMB, MIDFR

**Fig 2: YoY P/L walk (Quarterly results)**



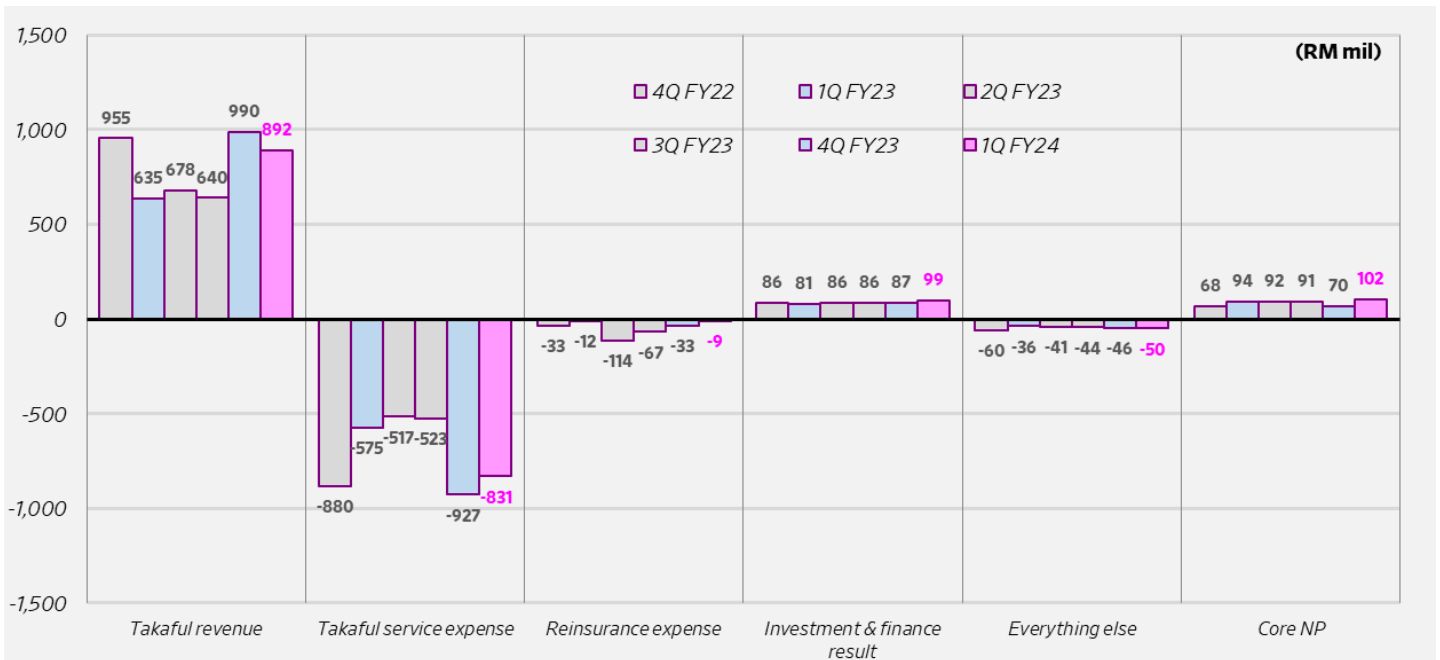
Source: STMB, MIDFR

**Fig 3: YoY P/L walk (Cumulative results)**



Source: STMB, MIDFR

**Fig 4: QoQ P/L walk (Multiple Quarters)**



Source: STMB, MIDFR

Fig 5: Quarterly results

FYE Dec (RM m)	1Q FY24	4Q FY23	1Q FY23	Yoy (%)	Qoq (%)	3M FY24	3M FY23	Yoy (%)
Takaful revenue	892	990	635	40	-10	892	635	40
Takaful expenses	(831)	(927)	(575)	45	-10	(831)	(575)	45
<i>Claims &amp; service exp</i>	(618)	(522)	(434)	42	18	(618)	(434)	42
<i>Acquisition CF exp</i>	(207)	(364)	(68)	204	-43	(207)	(68)	204
<i>Onerous contracts</i>	(2)	(7)	(10)	-82	-73	(2)	(10)	-82
<i>Others</i>	(4)	(34)	(62)	-93	-88	(4)	(62)	-93
Retakaful	(9)	(33)	(12)	-27	-74	(9)	(12)	-27
<b>Takaful service result</b>	<b>53</b>	<b>29</b>	<b>49</b>	<b>9</b>	<b>82</b>	<b>53</b>	<b>49</b>	<b>9</b>
Investment return	159	137	122	30	16	159	122	30
Net takaful finance exp	(60)	(50)	(41)	47	20	(60)	(41)	47
<b>Net takaful &amp; inv result</b>	<b>152</b>	<b>116</b>	<b>130</b>	<b>17</b>	<b>31</b>	<b>152</b>	<b>130</b>	<b>17</b>
Other income/OPEX	(2)	(1)	(0)	249	57	(2)	(0)	249
<b>PBT</b>	<b>150</b>	<b>115</b>	<b>130</b>	<b>16</b>	<b>30</b>	<b>150</b>	<b>130</b>	<b>16</b>
Tax	(45)	(42)	(34)	33	6	(45)	(34)	33
Zakat	(3)	(3)	(2)	61	22	(3)	(2)	61
<b>Reported NP</b>	<b>102</b>	<b>70</b>	<b>94</b>	<b>9</b>	<b>46</b>	<b>102</b>	<b>94</b>	<b>9</b>
<b>Core NP</b>	<b>102</b>	<b>70</b>	<b>94</b>	<b>9</b>	<b>46</b>	<b>102</b>	<b>94</b>	<b>9</b>
<b>Gross DPS (sen)</b>	-	14.0	-	n.m.	n.m.	-	-	n.m.
Core EPS (sen)	12.2	8.4	11.2	9	46	12.2	11.2	9
<b>Ratios (%)</b>	<b>1Q FY24</b>	<b>4Q FY23</b>	<b>1Q FY23</b>	<b>Yoy (ppts)</b>	<b>Qoq (ppts)</b>	<b>3M FY24</b>	<b>3M FY23</b>	<b>Yoy (ppts)</b>
ROE (Ann.)	22.9	16.7	25.6	-2.7	6.1	22.9	25.6	-2.7
Underwriting margin	5.9	3.0	7.7	-1.7	3.0	5.9	7.7	-1.7
<b>Combined</b>	<b>94.2</b>	<b>97.2</b>	<b>92.4</b>	<b>1.9</b>	<b>-2.9</b>	<b>94.2</b>	<b>92.4</b>	<b>1.9</b>
Claims	69.2	52.8	68.4	0.9	16.5	69.2	68.4	0.9
Reinsurance	1.0	3.4	1.9	-0.9	-2.4	1.0	1.9	-0.9
Expense	24.1	41.0	22.2	1.9	-17.0	24.1	22.2	1.9

Source: STMB, MIDFR

Fig 6: Quarterly results (Family)

FYE Dec (RM m)	1Q FY24	4Q FY23	1Q FY23	Yoy (%)	Qoq (%)	3M FY24	3M FY23	Yoy (%)
Takaful revenue	450	426	286	57	6	450	286	57
Takaful expenses	(531)	(549)	(344)	55	-3	(531)	(344)	55
<i>Claims &amp; service exp</i>	(374)	(362)	(299)	25	3	(374)	(299)	25
<i>Acquisition CF exp</i>	(154)	(132)	(52)	193	17	(154)	(52)	193
<i>Onerous contracts</i>	-	-	-	n.m.	n.m.	-	-	n.m.
<i>Others</i>	(4)	(55)	8	-145	-94	(4)	8	-145
Retakaful	4	69	(1)	-404	-94	4	(1)	-404
<b>Takaful service result</b>	<b>(78)</b>	<b>(54)</b>	<b>(58)</b>	<b>33</b>	<b>44</b>	<b>(78)</b>	<b>(58)</b>	<b>33</b>
Investment return	118	96	84	41	24	118	84	41
Net takaful finance exp	(40)	(43)	(25)	59	-6	(40)	(25)	59
<b>Net takaful &amp; inv result</b>	<b>1</b>	<b>(1)</b>	<b>0</b>	<b>430</b>	<b>-146</b>	<b>1</b>	<b>0</b>	<b>430</b>
Other income/OPEX	(1)	1	(0)	425	-146	(1)	(0)	425

Source: STMB, MIDFR

Fig 7: Quarterly results (General)

FYE Dec (RM m)	1Q FY24	4Q FY23	1Q FY23	Yoy (%)	Qoq (%)	3M FY24	3M FY23	Yoy (%)
Takaful revenue	350	347	291	20	1	350	291	20
Takaful expenses	(350)	(255)	(292)	20	38	(350)	(292)	20
<i>Claims &amp; service exp</i>	(228)	(151)	(117)	94	51	(228)	(117)	94
<i>Acquisition CF exp</i>	(122)	(125)	(105)	16	-3	(122)	(105)	16
<i>Onerous contracts</i>	-	-	-	n.m.	n.m.	-	-	n.m.
<i>Others</i>	(1)	21	(70)	-99	-103	(1)	(70)	-99
Retakaful	(8)	(101)	(8)	9	-92	(8)	(8)	9
<b>Takaful service result</b>	<b>(8)</b>	<b>(9)</b>	<b>(8)</b>	<b>-3</b>	<b>-11</b>	<b>(8)</b>	<b>(8)</b>	<b>-3</b>
Investment return	14	13	13	7	6	14	13	7
Net takaful finance exp	(6)	(4)	(5)	32	46	(6)	(5)	32
<b>Net takaful &amp; inv result</b>	<b>(0)</b>	<b>0</b>	<b>0</b>	<b>-131</b>	<b>&lt;-500</b>	<b>(0)</b>	<b>0</b>	<b>-131</b>
Other income/OPEX	0	(0)	(0)	-131	<-500	0	(0)	-131

Source: STMB, MIDFR

## FINANCIAL SUMMARY

## INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Takaful revenue	2,571	2,942	3,368	3,819	4,330
Takaful service expenses	(2,361)	(2,571)	(2,893)	(3,274)	(3,706)
Retakaful expense	(3)	(197)	(177)	(203)	(233)
<b>Takaful service result</b>	<b>206</b>	<b>175</b>	<b>299</b>	<b>342</b>	<b>391</b>
Investment return	390	530	476	488	476
Net finance result	(145)	(190)	(201)	(211)	(221)
<b>Total tak, inv &amp; financial result</b>	<b>451</b>	<b>515</b>	<b>573</b>	<b>618</b>	<b>647</b>
Other income	10	3	3	3	3
Other OPEX	(8)	(9)	(9)	(9)	(9)
<b>PBT</b>	<b>453</b>	<b>508</b>	<b>566</b>	<b>612</b>	<b>640</b>
Tax	(161)	(150)	(167)	(180)	(189)
Zakat	(9)	(10)	(10)	(10)	(10)
NCI	-	-	-	-	-
<b>Reported NP</b>	<b>283</b>	<b>347</b>	<b>389</b>	<b>421</b>	<b>441</b>
<b>Core NP</b>	<b>283</b>	<b>347</b>	<b>389</b>	<b>421</b>	<b>441</b>

## BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	2,067	851	851	851	851
Takaful & Retakaful contracts	1,374	1,491	1,595	1,707	1,826
Investment securities	8,622	9,260	9,908	10,601	11,343
Other assets	1,232	2,805	2,959	3,115	3,261
<b>Total assets</b>	<b>13,296</b>	<b>14,408</b>	<b>15,314</b>	<b>16,274</b>	<b>17,282</b>
Takaful & Retakaful contracts	11,485	12,318	12,936	13,586	14,268
Other liabilities	367	376	401	428	457
<b>Total liabilities</b>	<b>11,852</b>	<b>12,693</b>	<b>13,337</b>	<b>14,014</b>	<b>14,725</b>
Share capital	241	241	251	261	271
Reserves	1,169	1,438	1,690	1,964	2,251
NCI	34	35	35	35	35
<b>Total equity</b>	<b>1,443</b>	<b>1,714</b>	<b>1,977</b>	<b>2,261</b>	<b>2,557</b>
<b>Total L&amp;E</b>	<b>13,296</b>	<b>14,408</b>	<b>15,314</b>	<b>16,274</b>	<b>17,282</b>

Source: STMB, MIDFR

## FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
<b>Profitability (%)</b>					
ROE	17.6	22.5	21.5	20.2	18.6
ROA	2.2	2.5	2.6	2.7	2.6
<b>Combined ratio (%)</b>	<b>92.0</b>	<b>94.1</b>	<b>91.1</b>	<b>91.1</b>	<b>91.0</b>
Claims & Expenses	91.8	87.4	85.9	85.7	85.6
Retakaful	0.1	6.7	5.2	5.3	5.4
<b>Growth (%)</b>					
Takaful revenue		14.5	14.5	13.4	13.4
Takaful expense		8.9	12.5	13.2	13.2
Takaful service result		-15.2	71.0	14.4	14.4
PBT		12.0	11.5	8.1	4.6
Core NP		22.5	12.0	8.3	4.7
<b>Valuation metrics</b>					
Core EPS (sen)	33.8	41.5	46.4	50.3	52.6
Gross DPS (sen)	13.5	14.0	16.3	17.6	18.4
Div payout (%)	40	34	35	35	35
BVPS (RM)	1.7	2.0	2.4	2.7	3.1
Core P/E (x)	11.4	9.3	8.3	7.7	7.3
<b>Div yield (%)</b>	<b>3.5</b>	<b>3.6</b>	<b>4.2</b>	<b>4.6</b>	<b>4.8</b>
P/BV (x)	2.2	1.9	1.6	1.4	1.3

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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.

#### ESG RECOMMENDATIONS\* - source Bursa Malaysia and FTSE Russell

☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

\* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology