

Allianz Malaysia Berhad

(1163 | ALLZ MK) Financial Services | Finance

2QFY24 Results: General Combined Ratio Normalises

KEY INVESTMENT HIGHLIGHTS

- 6MFY24's Core NP of RM357m was *Within/Within* our/street forecasts: **47%/47%** of full-year forecasts
- Core themes: (a) Normalising Investment returns, (b) Mediocre General result, (c) Mediocre Life result
- Forecasts unchanged
- Maintain BUY | Unchanged TP of RM25.76 | based on SOTP using (1) FY25F P/BV of 1.6x, (2) FY25F P/EV of 1.0x

Verdict: Solid dividend yields, while fundamentally strong and well-equipped to handle future challenges.

Yays	Nays	OKs
<ol style="list-style-type: none"> Industry leading position offers an edge in the competitive insurance space. Excellent dividend yields of 6-7%. Great growth prospects: ROE recovery, while General GWP and Life ANP growth constantly outperform rest of industry. Regional development centre set to aid digitisation process. 	<ol style="list-style-type: none"> Insurance space remains highly competitive. Expect elevated short-term spending in near term to improve digital transition and agency force. 	<ol style="list-style-type: none"> Sustainability of investment return windfall is uncertain.

Results in a nutshell:

▲ **6MFY24's Core net profit (NP) of RM357m up by +4%yoy.** The increase was driven by strong investment returns, which offset higher net insurance finance expenses.

▼ **2QFY24's Core NP of RM167m down by -12%qoq.** Higher insurance expenses and weaker investment returns offset softer net insurance finance expenses and reinsurance costs.

Forecasts unchanged. We make no change to our earnings forecasts, though we increase our shareholder's equity to factor in higher life fund surplus.

Key downside risks. (1) Economic slowdown lowers growth, (2) Higher-than-expected claims, (3) Poor investment returns.

Maintain BUY call: Unchanged SOTP-TP of RM 25.76.

(1) In general, we use a FY25F P/BV of 1.6x (*formerly 1.7x*). We reduce our P/BV to 1.6x which is more in line with the historical average. This remains well within the 1.4-2.0x P/BV range of recent M&A transactions involving domestic players.

(2) For Life, we use an FY25F P/EV of 1.0x.



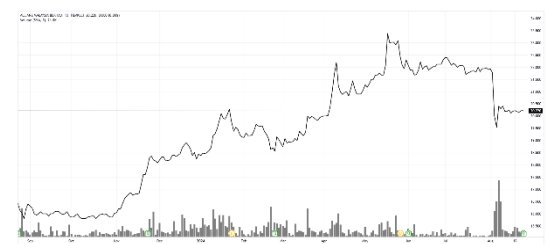
Maintain BUY

Unchanged Target Price: RM25.76

RETURN STATISTICS

Price @ 23 August 2024 (RM)	20.22
Expected share price return (%)	+27.4
Expected dividend yield (%)	+5.5
Expected total return (%)	+32.9

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-7.5	-7.7
3 months	-9.4	-14.8
12 months	26.3	11.4

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	767	805	847
CNP growth (%)	5	5	5
Div yield (%)	5.3	5.5	5.8
Gross DPS (sen)	106.3	111.7	117.4
P/BV (x)	1.3	1.2	1.1
BVPS (RM)	15.9	17.2	18.4
ROE (%)	14.4	14.1	13.8
MIDF/Street CNP (%)	100	100	100

KEY STATISTICS

FBM KLCI	1,635.74
Issue shares (m)	178.0
Estimated free float (%)	17.4
Market Capitalisation (RM'm)	3,611.1
52-wk price range	RM15.7 - RM23.6
3-mth avg daily volume (m)	0.0
3-mth avg daily value (RM'm)	0.8
Top Shareholders (%)	
Allianz SE	64.5
EPF Board	6.7
Kumpulan Wang Persaraan Diperbadan	3.2

Analyst

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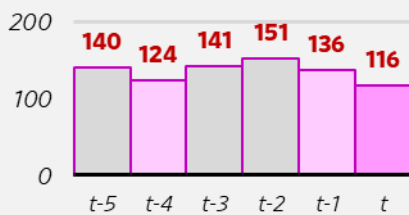
Fig 1: SOTP Valuation

Companies	Equity Value (RM mil)	Equity Value basis	Multiple (X)	Valuation basis	Valuation (RM mil)
AGIC	3,335	1x FY25F P/BV	1.6	P/BV	5,336
ALIM	3,581	1x FY25F CSM	1.0	P/EV	3,581
Total sum-of-parts					8,918
(÷) Diluted ALLZ Share Base (mil)					346
Fair value (RM)					25.76

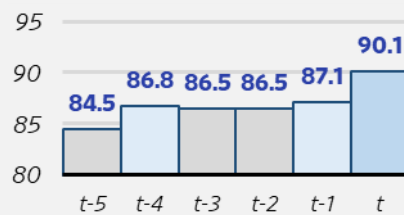
Source: Allianz MY, MIDFR

1. General Overall: ► Mediocre | Qtr: -15%qoq, -6%yoy | Cum: -4%yoy

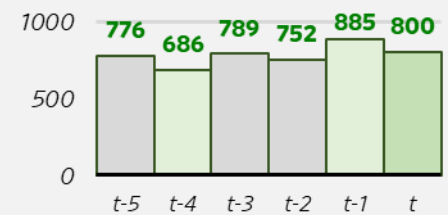
PBT (RM m)



Combined Ratio (%)



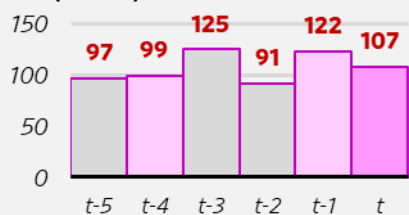
GWP (RM m)



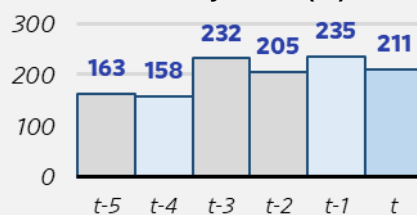
Commentary: For PBT, a weak quarter due to high claims offsetting what we believe is the release of pandemic reserves (i.e. reinsurance ratio was negative). This resulted in an elevated quarterly combined ratio – management cautioned that the previous <90% combined ratio range was not sustainable.

2. Life Overall: ► Mediocre | Qtr: -12%qoq, +9%yoy | Cum: +18%yoy

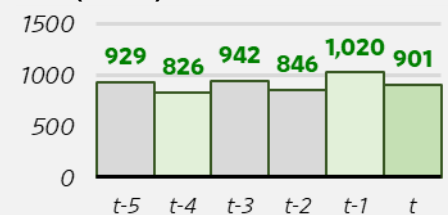
PBT (RM m)



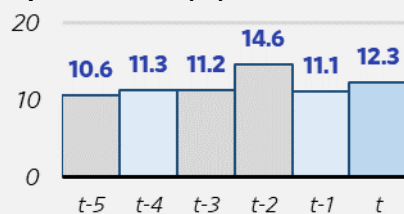
Block Persistency Ratio (%)



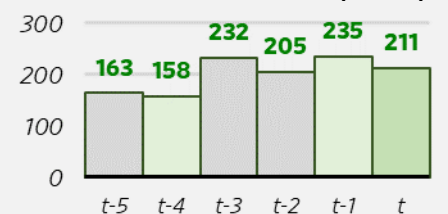
GWP (RM m)



Expense Ratio (%)



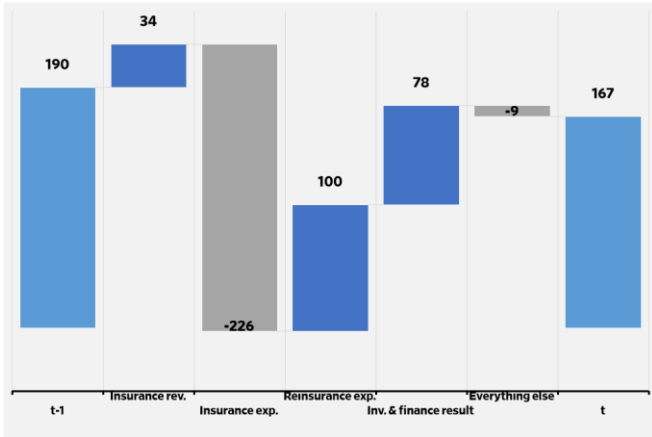
Annualised New Premium (RM m)



Commentary: A decent quarter. Solid results from a growth perspective.

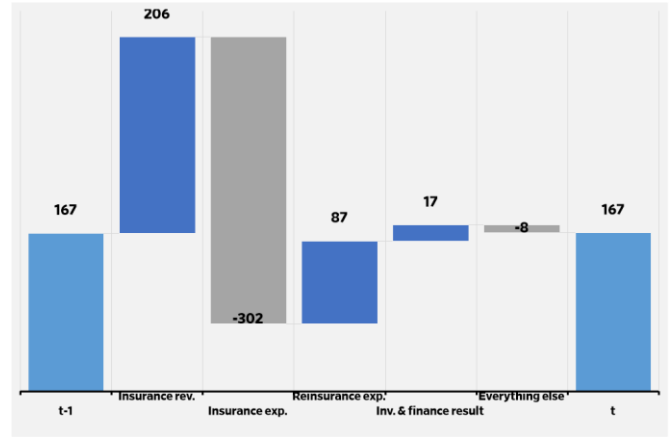
Source: Allianz MY, MIDFR

Fig 2: QoQ P/L walk (Quarterly results)



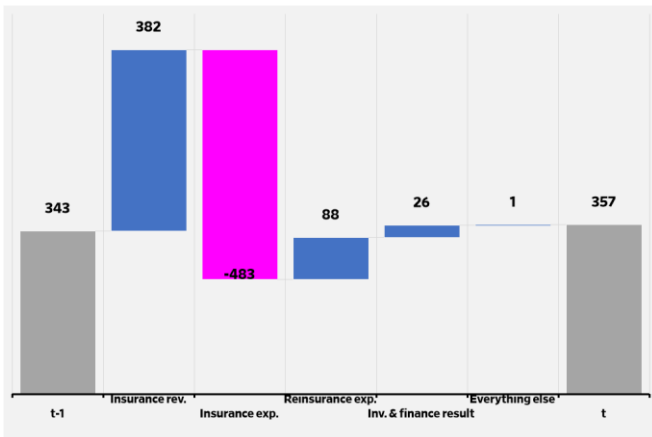
Source: Allianz MY, MIDFR

Fig 3: YoY P/L walk (Quarterly results)



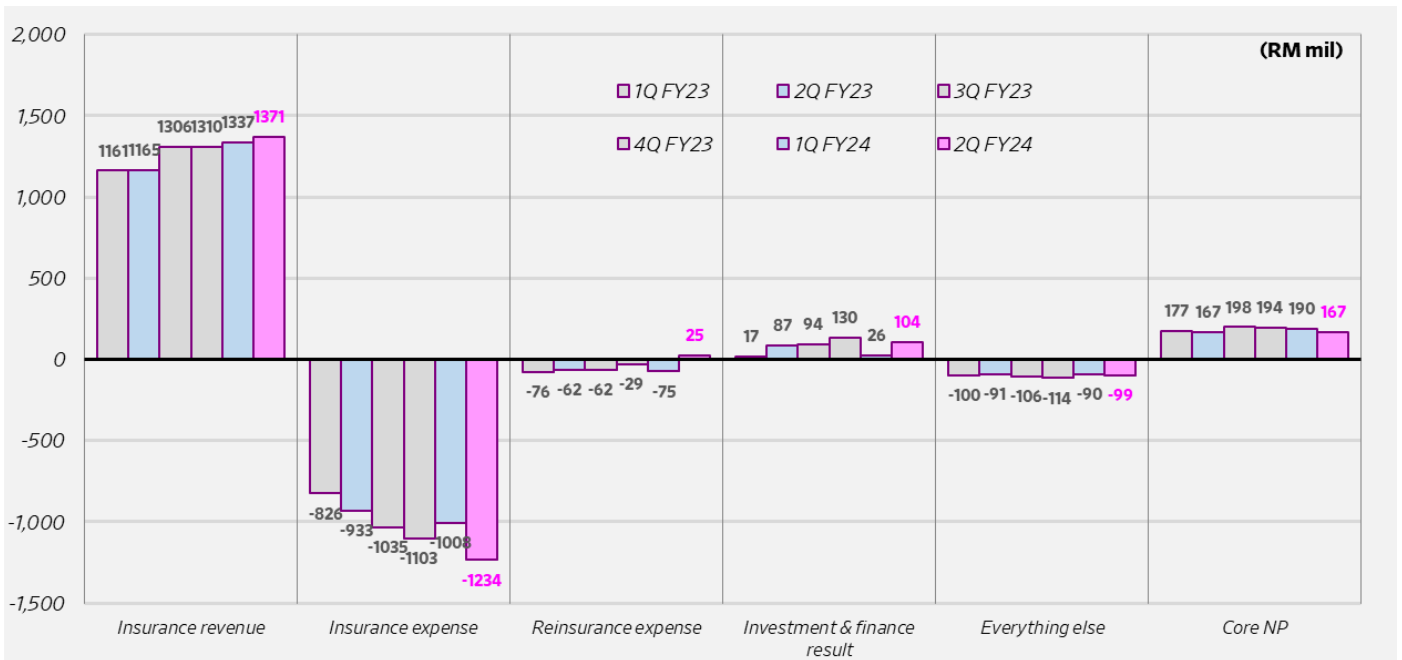
Source: Allianz MY, MIDFR

Fig 4: YoY P/L walk (Cumulative results)



Source: Allianz MY, MIDFR

Fig 5: QoQ P/L walk (Multiple Quarters)



Source: Allianz MY, MIDFR

Fig 6: Quarterly results

FYE Dec (RM m)	2Q FY24	1Q FY24	2Q FY23	Yoy (%)	Qoq (%)	1H FY24	1H FY23	Yoy (%)
Insurance revenue	1,371	1,337	1,165	18	3	2,708	2,326	16
Insurance expenses	(1,234)	(1,008)	(933)	32	22	(2,242)	(1,759)	27
<i>Claims</i>	<i>(899)</i>	<i>(684)</i>	<i>(647)</i>	<i>39</i>	<i>31</i>	<i>(1,583)</i>	<i>(1,190)</i>	<i>33</i>
<i>Acquisitions & Admin exp</i>	<i>(335)</i>	<i>(320)</i>	<i>(290)</i>	<i>15</i>	<i>5</i>	<i>(654)</i>	<i>(558)</i>	<i>17</i>
<i>Onerous contracts</i>	<i>(1)</i>	<i>(4)</i>	<i>5</i>	<i>-113</i>	<i>-83</i>	<i>(4)</i>	<i>(10)</i>	<i>-56</i>
Reinsurance	25	(75)	(62)	-140	-133	(50)	(138)	-64
Insurance service result	162	254	170	-5	-36	416	430	-3
Investment return	427	524	196	117	-19	951	472	102
Net insurance finance exp	(323)	(499)	(109)	196	-35	(821)	(368)	123
Net ins & inv result	266	139	134	98	91	546	534	2
Other income/OPEX	(41)	(29)	(34)	19	41	(70)	(74)	-6
Associates	-	-	-	n.m.	n.m.	-	-	n.m.
PBT	225	251	223	1	-10	476	459	4
Tax	(58)	(61)	(56)	3	-6	(119)	(116)	3
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	167	190	167	0	-12	357	343	4
Core NP	167	190	167	0	-12	357	343	4
Gross DPS (sen)	-	26.5	-	n.m.	n.m.	26.5	31.5	n.m.
Core EPS (sen)	48.4	54.8	48.1	0	-12	103.3	99.2	4

Ratios (%)	2Q FY24	1Q FY24	2Q FY23	Yoy (ppts)	Qoq (ppts)	1H FY24	1H FY23	Yoy (ppts)
ROE (Ann.)	12.4	14.2	13.4	-1.0	-1.9	13.2	13.8	-0.6
Underwriting margin	11.8	19.0	14.6	-2.8	-7.2	15.4	18.5	-3.1
Combined	91.2	83.1	88.4	2.8	8.0	87.2	84.7	2.5
Claims	65.6	51.5	55.2	10.4	14.1	58.6	51.6	7.0
Reinsurance	(1.8)	5.6	5.3	-7.2	-7.4	1.8	5.9	-4.1
Expense	27.4	26.1	27.8	-0.4	1.3	26.8	27.2	-0.5

Source: Allianz MY, MIDFR

Fig 7: Quarterly results (General)

FYE Dec (RM m)	2Q FY24	1Q FY24	2Q FY23	Yoy (%)	Qoq (%)	1H FY24	1H FY23	Yoy (%)
Insurance revenue	780	759	666	17	3	1,539	1,327	16
Insurance expenses	(719)	(591)	(491)	46	22	(1,310)	(945)	39
<i>Claims</i>	<i>(538)</i>	<i>(413)</i>	<i>(332)</i>	<i>62</i>	<i>30</i>	<i>(951)</i>	<i>(627)</i>	<i>52</i>
<i>Acquisitions & Admin exp</i>	<i>(179)</i>	<i>(176)</i>	<i>(161)</i>	<i>11</i>	<i>2</i>	<i>(355)</i>	<i>(313)</i>	<i>14</i>
<i>Onerous contracts</i>	<i>(1)</i>	<i>(2)</i>	<i>2</i>	<i>-174</i>	<i>-31</i>	<i>(4)</i>	<i>(6)</i>	<i>-36</i>
Reinsurance	31	(60)	(70)	-144	-152	(28)	(162)	-82
Insurance service result	92	108	104	-12	-15	200	221	-10
Investment return	61	60	53	14	2	121	108	12
Net insurance finance exp	(22)	(22)	(17)	26	1	(43)	(35)	25
Net ins & inv result	131	146	140	-7	-11	277	294	-6
Other income	0	0	0	n.m.	n.m.	1	0	n.m.
Other OPEX	(15)	(10)	(16)	-10	43	(25)	(31)	-18
PBT	116	136	124	-6	-15	253	264	-4

Ratios (%)	2Q FY24	1Q FY24	2Q FY23	Yoy (ppts)	Qoq (ppts)	1H FY24	1H FY23	Yoy (ppts)
Underwriting margin	11.8	14.3	15.6	-3.9	-2.5	13.0	16.7	-3.7
Combined	90.1	87.1	86.8	3.3	3.0	88.6	85.6	3.0
Claims	69.2	54.7	49.6	19.6	14.5	62.1	47.6	14.4
Reinsurance	(4.0)	7.9	10.6	-14.6	-11.8	1.8	12.2	-10.3
Expense	24.8	24.5	26.6	-1.7	0.3	24.7	25.8	-1.2

Source: Allianz MY, MIDFR

Fig 8: Quarterly results (Life)

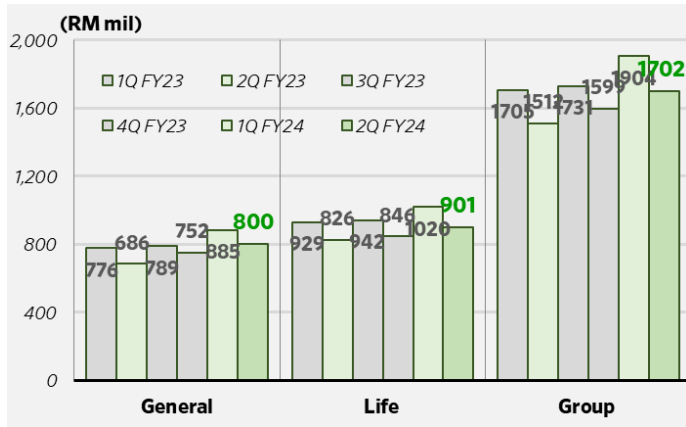
FYE Dec (RM m)	2Q FY24	1Q FY24	2Q FY23	Yoy (%)	Qoq (%)	1H FY24	1H FY23	Yoy (%)
Insurance revenue	591	582	499	19	2	1,173	999	17
Insurance expenses	(515)	(417)	(441)	17	24	(932)	(814)	14
<i>Claims</i>	<i>(360)</i>	<i>(271)</i>	<i>(315)</i>	<i>14</i>	<i>33</i>	<i>(632)</i>	<i>(564)</i>	<i>12</i>
<i>Acquisitions & Admin exp</i>	<i>(156)</i>	<i>(144)</i>	<i>(129)</i>	<i>21</i>	<i>8</i>	<i>(299)</i>	<i>(246)</i>	<i>22</i>
<i>Onerous contracts</i>	<i>1</i>	<i>(2)</i>	<i>3</i>	<i>-71</i>	<i>-153</i>	<i>(1)</i>	<i>(4)</i>	<i>-83</i>
Reinsurance	(6)	(15)	8	-176	-60	(22)	24	-191
Insurance service result	70	150	66	6	-53	220	208	6
Investment return	362	461	139	159	-22	823	353	133
Net insurance finance exp	(301)	(477)	(92)	228	-37	(778)	(333)	134
Net ins & inv result	131	134	113	15	-2	265	229	16
Other income	0	11	0	n.m.	n.m.	11	0	n.m.
Other OPEX	(24)	(23)	(15)	60	4	(46)	(34)	38
PBT	107	122	99	9	-12	229	195	18

Ratios (%)	2Q FY24	1Q FY24	2Q FY23	Yoy (ppts)	Qoq (ppts)	1H FY24	1H FY23	Yoy (ppts)
Block persistency	82.9	82.9	85.5	-2.6	0.0	11.7	10.9	0.8
Underwriting margin	11.8	25.8	13.2	-1.3	-13.9	18.8	20.9	-2.1
Combined	92.1	76.2	89.8	2.4	15.9	84.2	82.5	1.8
Claims	60.8	46.9	62.6	-1.8	13.9	53.9	56.9	-3.0
Reinsurance	1.1	2.6	(1.6)	2.7	-1.6	1.8	(2.4)	4.2
Expense	30.3	26.7	28.8	1.5	3.6	28.5	28.0	0.5

Source: Allianz MY, MIDFR

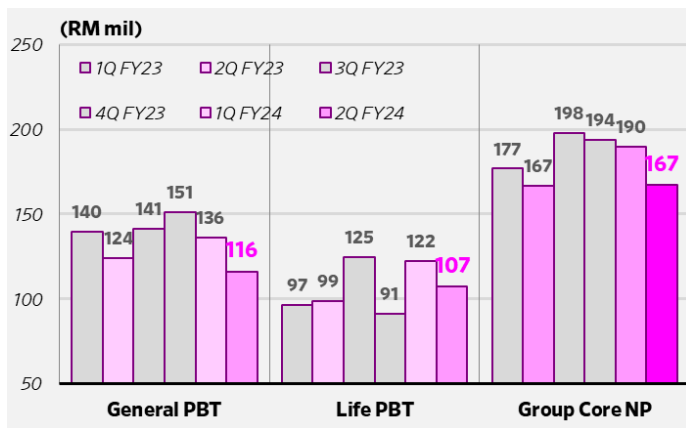
SEGMENTAL BREAKDOWN

Fig 9: GWP by Segment (Quarterly)



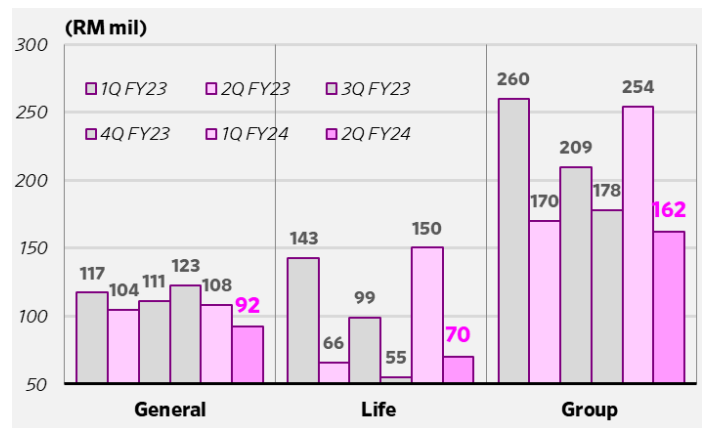
Source: Allianz MY, MIDFR

Fig 10: PBT by Segment, with Group Core NP



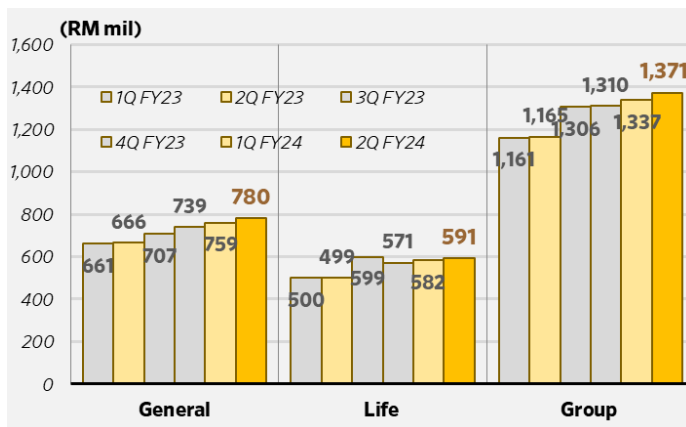
Source: Allianz MY, MIDFR

Fig 11: Insurance Service Result by Segment



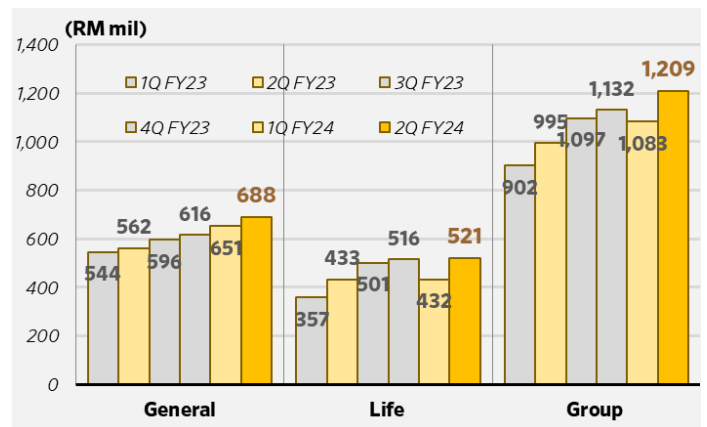
Source: Allianz MY, MIDFR

Fig 12: Insurance Revenue by Segment (Quarterly)



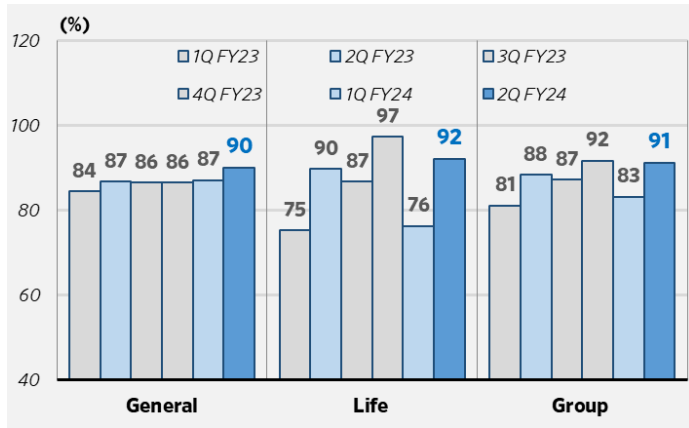
Source: Allianz MY, MIDFR

Fig 13: Insurance & Reinsurance Expenses by Segment (Quarterly)



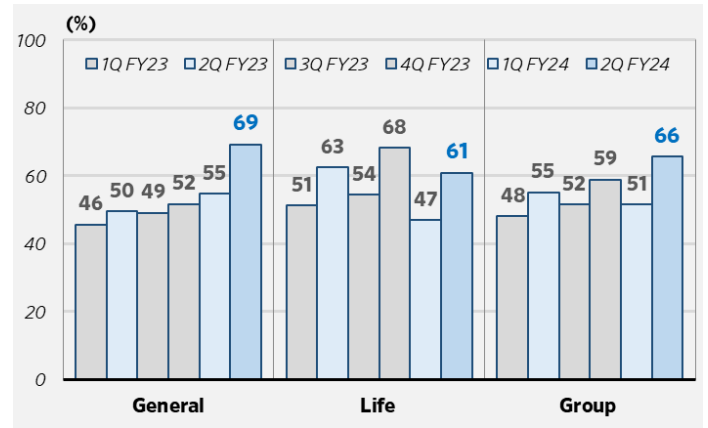
Source: Allianz MY, MIDFR

Fig 14: Combined Ratio by Segment (Quarterly)



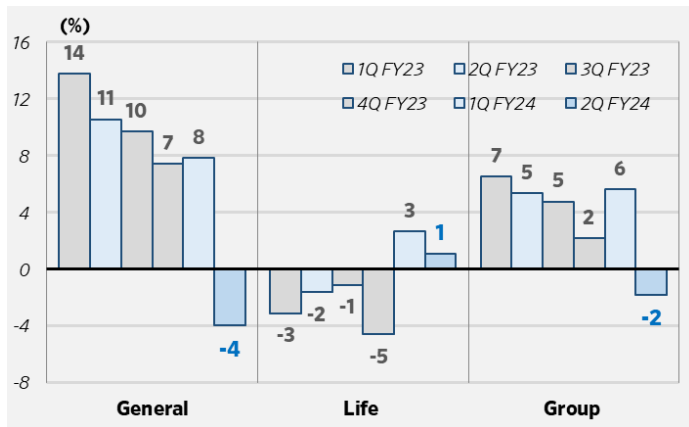
Source: Allianz MY, MIDFR

Fig 15: Claims Ratio by Segment (Quarterly)



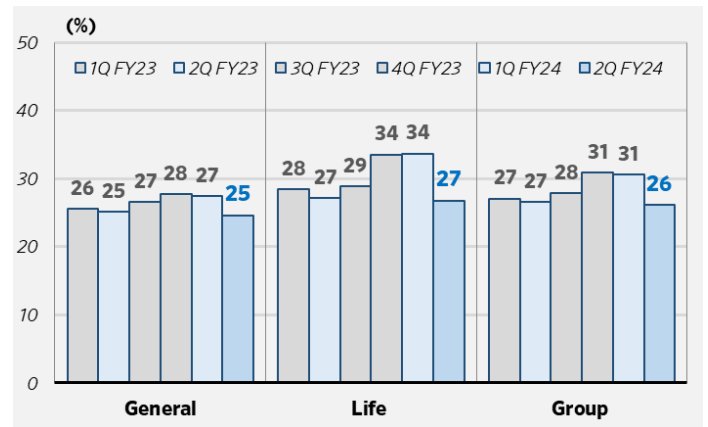
Source: Allianz MY, MIDFR

Fig 16: Reinsurance Ratio by Segment (Quarterly)



Source: Allianz MY, MIDFR

Fig 17: Expense Ratio by Segment (Quarterly)



Source: Allianz MY, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Insurance revenue	4,419	4,942	5,110	5,524	5,975
Insurance service expenses	(3,348)	(3,897)	(3,954)	(4,269)	(4,611)
Reinsurance expense	(277)	(229)	(381)	(419)	(461)
Insurance service result	794	817	775	837	904
Investment return	621	1,142	922	943	964
Net finance result	(369)	(832)	(579)	(607)	(636)
Total ins, inv & financial result	1,046	1,126	1,118	1,172	1,231
Other income	1	1	-	-	-
Other OPEX	(174)	(170)	(38)	(38)	(38)
Associates	-	-	-	-	-
PBT	874	957	1,080	1,134	1,193
Tax	(260)	(226)	(313)	(329)	(346)
NCI	-	-	-	-	-
Reported NP	614	731	767	805	847
Core NP	614	731	767	805	847

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	2,259	1,562	1,562	1,562	1,562
Investment securities	20,329	23,052	24,205	25,415	26,686
Other assets	1,401	1,308	1,310	1,439	1,596
Total assets	23,990	25,922	27,076	28,416	29,843
Insurance contracts	18,012	19,316	20,282	21,296	22,361
Other liabilities	1,301	1,465	1,291	1,164	1,126
Total liabilities	19,313	20,781	21,573	22,460	23,487
Share capital	236	236	236	236	236
Reserves	3,906	4,370	4,732	5,185	5,586
Total equity	4,677	5,141	5,503	5,956	6,357
Total L&E	23,990	25,922	27,076	28,416	29,843

Source: Allianz MY, MIDFR

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Profitability (%)					
ROE	10.7	11.7	14.4	14.1	13.8
ROA	2.0	3.0	2.9	2.9	2.9
Combined ratio (%)	82.0	83.5	84.8	84.9	84.9
Claims	51.5	53.5	54.0	53.9	53.8
Expenses	24.2	25.3	23.4	23.4	23.4
Reinsurance	6.3	4.6	7.4	7.6	7.7
Growth (%)					
Insurance revenue		11.8	3.4	8.1	8.2
Insurance expense		16.4	1.5	8.0	8.0
Insurance service result		2.9	-5.1	7.9	8.0
Net ins & investment result		7.6	-0.7	4.9	5.0
PBT		9.5	12.8	5.1	5.2
Core NP		19.1	4.9	5.1	5.2
Valuation metrics					
Core EPS (sen)	177.3	211.1	221.4	232.6	244.7
Gross DPS (sen)	85.0	100.5	106.3	111.7	117.4
Div payout (%)	48	48	48	48	48
BVPS (RM)	13.5	14.8	15.9	17.2	18.4
Core P/E (x)	11.4	9.6	9.1	8.7	8.3
Div yield (%)	4.2	5.0	5.3	5.5	5.8
P/BV (x)	1.5	1.4	1.3	1.2	1.1

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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