

LPI Capital Berhad

(8621 | LPI MK) Financial Services | Finance

3QFY24 Results: Strong Results

KEY INVESTMENT HIGHLIGHTS

- 9MFY24's Core NP of RM303m was *Above/Above* our/street forecasts: **88%/85%** of full-year forecasts
- Core themes: (a) GWP growth still steady, (b) Improved combined ratio, (c) Investment income normalisation
- Forecasts unchanged
- **Maintain BUY | Unchanged TP of RM14.52 | based on an unchanged FY25F P/BV of 2.42x**

Results in a nutshell:

- ▲ 9MFY24's Core net profit (NP) of RM303m up by 29%yoy.
- ▲ 3QFY24's Core NP of RM124m up by 59%qoq.
- ▲ 9MFY24's GWP of RM1,429m grew by a solid 7%yoy while 3QFY24's figure of RM465m grew by a solid 8%qoq.
- ▼ 9MFY24's Combined ratio of 71.2% up +0.1%yoy.
- ▲ 3QFY24's Combined ratio of 66.8% down -6.8%qoq.

Have a look at:

Strong earnings growth. PAT for 9MFY24 went by +29%yoy despite small revenue growth. Earnings growth was supported by higher profit from general insurance segment, which increased by +27.4%yoy to RM339.9m. Lower reinsurance expenses also played a role.

Stable revenue. Revenue 9MFY24 increased by +1.0%yoy to RM1,439.0m. Of this, RM1,394.8m was generated from general insurance segment and RM44.2m from investment holding segment. The revenue growth was mainly driven by the investment holding segment, which grew +43.0%yoy, due to higher dividend income.

Forecasts unchanged. We make no changes to the earnings forecast.

Key downside risks. (1) Weak investment result, (2) Ramp up in claims, (3) Weaker GWP growth.

Maintain BUY call: Unchanged GGM-TP of RM 14.52. The TP is based on an unchanged FY25F P/BV of 2.42x.

(GGM assumptions: FY25F ROE of 15.4%, LTG of 4.0% & COE of 8.7%)

Maintain BUY
Unchanged Target Price: RM14.52

RETURN STATISTICS

Price @ 29 October 2024 (RM)	13.50
Expected share price return (%)	+7.6
Expected dividend yield (%)	+5.7
Expected total return (%)	+13.3

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	4.0	6.4
3 months	4.0	8.6
12 months	12.4	0.3

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	345	364	389
CNP growth (%)	10	6	7
Div yield (%)	5.4	5.7	6.2
Gross DPS (sen)	73.5	77.6	83.1
P/BV (x)	2.3	2.3	2.2
BVPS (RM)	5.9	6.0	6.1
ROE (%)	14.9	15.4	16.1
MIDF/Street CNP (%)	96	96	96

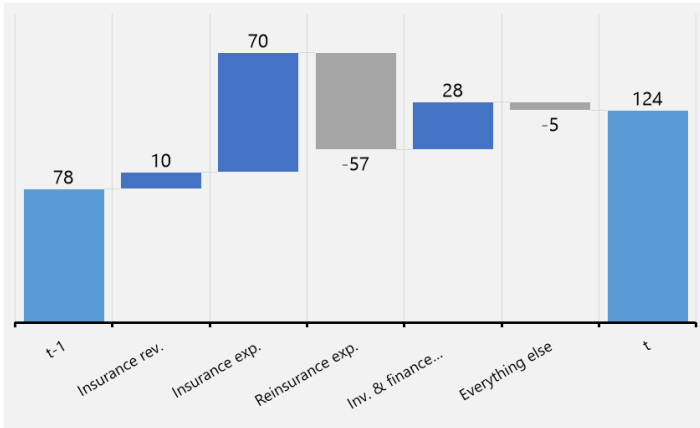
KEY STATISTICS

FBM KLCI	1,615.08
Issue shares (m)	398.383
Estimated free float (%)	48.4
Market Capitalisation (RM'm)	5,362.23
52-wk price range	RM11.60 - RM13.60
3-mth avg daily volume (m)	0.13
3-mth avg daily value (RM'm)	1.64
Top Shareholders (%)	
Consolidated Teh Holdings Sdn	42.74
Sompo Holdings Inc	8.54
Retirement Benefits Fund	4.71

Analyst

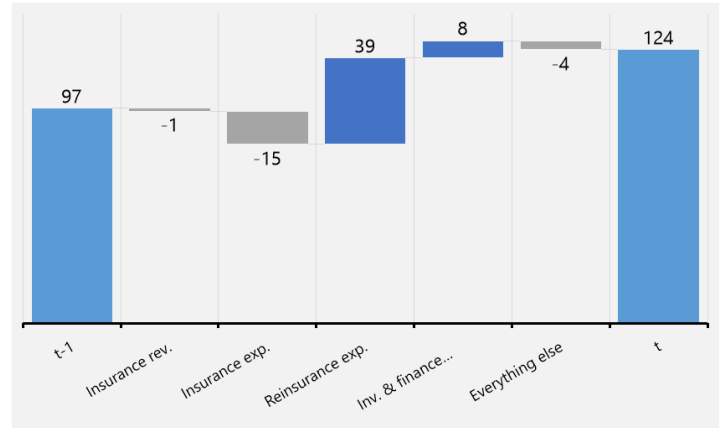
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Fig 1: QoQ P/L walk (Quarterly results)



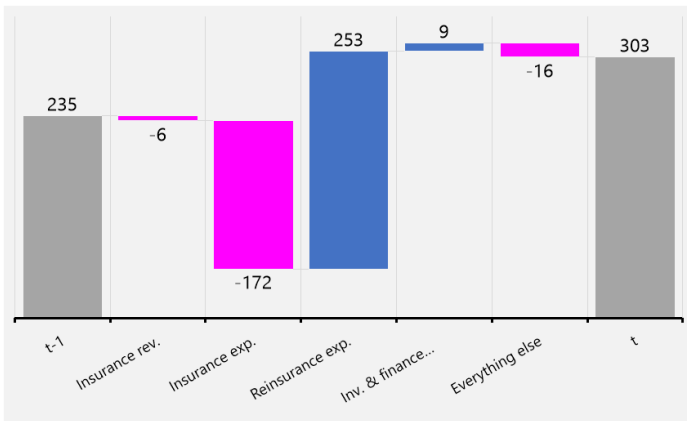
Source: LPI Capital, MIDFR

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



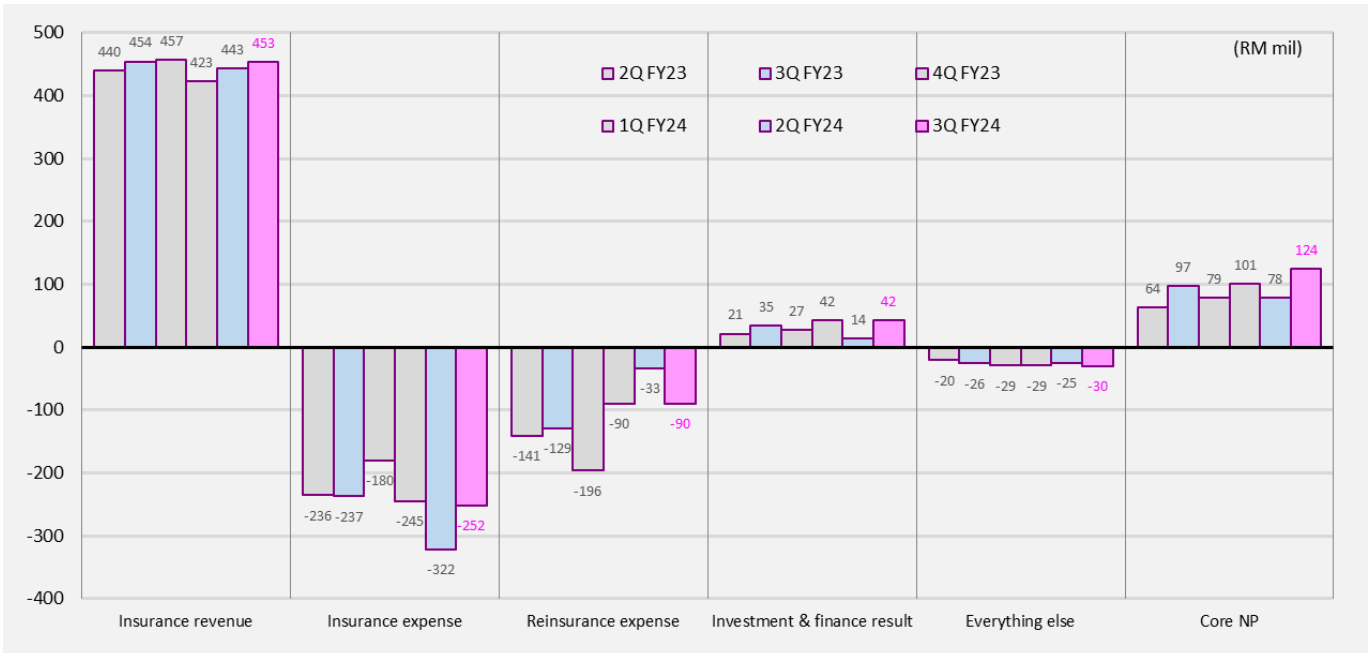
Source: LPI Capital, MIDFR

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



Source: LPI Capital, MIDFR

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



Source: LPI Capital, MIDFR

Fig 5: Quarterly results

FYE Dec (RM m)	3Q FY24	2Q FY24	3Q FY23	Yoy (%)	Qoq (%)	9M FY24	9M FY23	Yoy (%)
Insurance revenue	453	443	454	-0	2	1,319	1,325	-0
Insurance service expenses	(252)	(322)	(237)	6	-22	(819)	(647)	27
Reinsurance expenses	(90)	(33)	(129)	-30	171	(212)	(465)	-54
Insurance service result	111	88	88	26	26	288	212	36
Investment return	51	24	42	22	117	126	114	10
Net finance result	(9)	(9)	(8)	17	-1	(27)	(24)	12
Net inv & financial result	154	103	123	25	49	387	302	28
Other income	1	1	1	n.m.	n.m.	4	4	n.m.
OPEX and finance costs	(5)	(4)	(5)	n.m.	n.m.	(13)	(16)	n.m.
Associates	0	1	0	n.m.	n.m.	1	1	n.m.
PBT	150	101	120	26	50	378	291	30
Tax	(26)	(23)	(22)	19	17	(75)	(57)	33
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	124	78	97	27	59	303	235	29
Core NP	124	78	97	27	59	303	235	29
Gross DPS (sen)	-	30.0	-	n.m.	n.m.	30.0	26.0	n.m.
Core EPS (sen)	31.1	19.6	24.4	27	59	76.1	59.0	29

Ratios (%)	3Q FY24	2Q FY24	3Q FY23	Yoy (ppts)	Qoq (ppts)	9M FY24	9M FY23	Yoy (ppts)
ROE (Ann.)	21.1	13.9	18.1	3.0	7.2	17.2	14.5	2.7
Underwriting margin	24.6	19.9	19.5	5.1	4.6	21.8	16.0	5.8
Combined (As reported)	66.8	73.6	71.1	-4.3	-6.8	71.2	71.1	0.1
Claims	35.8	44.3	39.4	-3.6	-8.5	40.0	39.4	0.6
Mgmt expenses	19.1	18.4	20.0	-0.9	0.7	19.6	20.0	-0.4
Commission	8.4	8.3	8.7	-0.3	0.1	8.4	8.7	-0.3
Net insurance finance cost	3.1	3.2	2.9	0.2	-0.1	3.1	2.9	0.2
Onerous contracts	0.5	(0.5)	-	0.5	1.0	0.2	-	0.2

Source: LPI Capital, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Insurance revenue	1,535	1,782	1,796	1,893	1,995
Insurance service expenses	(1,260)	(827)	(1,109)	(1,167)	(1,236)
Reinsurance expense	11	(661)	(352)	(369)	(387)
Insurance service result	286	294	335	357	373
Investment return	92	149	147	149	165
Net finance result	(17)	(32)	(33)	(32)	(32)
Net investment & financial result	75	117	114	116	133
Total ins, inv & financial result	361	411	450	474	506
Other income	1	4	4	4	4
Other OPEX and finance costs	(21)	(21)	(21)	(21)	(21)
Associates	1	2	2	2	2
PBT	342	395	434	458	490
Tax	(89)	(81)	(89)	(94)	(101)
NCI	-	-	-	-	-
Reported NP	252	314	345	364	389
Core NP	252	314	345	364	389

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	725	315	315	315	315
Reinsurance contracts	1,316	878	992	1,101	1,222
Investment securities	2,608	3,167	2,943	2,706	2,747
Other assets	201	209	485	788	812
Total assets	4,850	4,569	4,736	4,911	5,096
Insurance contracts	2,559	2,200	2,310	2,425	2,547
Other liabilities	82	86	91	96	101
Total liabilities	2,641	2,286	2,401	2,521	2,648
Share capital	398	398	398	398	398
Reserves	1,810	1,885	1,937	1,991	2,050
Total equity	2,209	2,284	2,335	2,390	2,448
Total L&E	4,850	4,569	4,736	4,911	5,096

Source: LPI Capital, MIDFR

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Profitability (%)					
ROE	11.5	14.0	14.9	15.4	16.1
ROA	5.4	6.7	7.4	7.5	7.8
Combined ratio (%)	81.4	83.5	81.3	81.1	81.3
Claims	57.4	23.7	37.0	36.9	37.2
Expense	24.7	22.7	24.7	24.8	24.8
Reinsurance	-0.7	37.1	19.6	19.5	19.4
Growth (%)					
Insurance revenue		16.1	0.8	5.4	5.4
Insurance expense		-34.4	34.1	5.2	5.9
Insurance service result		2.7	14.2	6.6	4.4
PBT		15.6	9.9	5.6	7.0
Core NP		24.4	9.8	5.6	7.0
Valuation metrics					
Core EPS (sen)	63.3	78.7	86.5	91.3	97.7
Gross DPS (sen)	60.0	66.0	73.5	77.6	83.1
Div payout (%)	95	84	85	85	85
BVPS (RM)	5.5	5.7	5.9	6.0	6.1
Core P/E (x)	21.3	17.1	15.6	14.8	13.8
Div yield (%)	4.4	4.9	5.4	5.7	6.2
P/BV (x)	2.4	2.4	2.3	2.3	2.2

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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