

24 November 2021

Syarikat Takaful M'sia Keluarga

Recovery Ahead

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TAKAFUL's 9MFY21 CNP of RM255.7m came below both our/consensus' estimates at 68%/67%, due to slower recovery of net earned premium (NEP) on movement restrictions. However, we anticipate swift recovery in 4QFY21 on premiums and cost improvements. We reduce FY21E CNP by 7% on lower NEP. Maintain OP with an unchanged TP of RM5.85 @ FY22E PBV of 2.5x.

Below expectations; temporary hiccup. 3QFY21 registered a core net profit (CNP) of RM72.7m (-11% QoQ; -12% YoY), bringing 9MFY21 CNP to RM255.8m (-2% YoY). This is below our/consensus' estimates at 68%/67% due to slower-than-expected recovery of NEP. Absence of dividend is as expected.

Results' highlight. YoY, gross earned premium (GEP) rose 9% from stronger Family Takaful (+7%) and General Takaful (+14%), both affected by MCO 1.0. However, a 21% increase in surplus to takaful operators/participants erased the gains, resulting in a 2% decline in CNP. **QoQ**, 3QFY21 CNP fell (-11%) stemming from: (i) a slip in GEP (-1%) attributable to weaker Family Takaful (-14%), and (ii) higher combined ratio (+2.0ppt).

Anticipating a swift recovery in 4QFY21. The lingering impact from movement restrictions on premiums in 3QFY21 were exacerbated by higher combined ratio. However, we think a swift recovery is on the cards for 4QFY21 (a similar trend after 2020's movement restrictions) and we expect improvement in both premiums and combined ratio.

Reduce FY21E CNP by 7% on lower NEP (-4%).

Maintain OP with an unchanged TP of RM5.85 @ FY22E PBV of 2.5x, reflecting -0.5SD from mean justified by: (i) market leader status in Islamic insurance, (ii) strong ROE of >20%, and (iii) dividend yield of 5.4%.

Risks to our call include: (i) lower premium underwritten, (ii) higher-than-expected claims incurred, (iii) higher-than-expected management expense ratio, and (iv) further wave of pandemic.

OUTPERFORM ↔

Price : RM3.68
Target Price : RM5.85 ↔

Share Price Performance



KLCI	1,522.88
YTD KLCI chg	-6.4%
YTD stock price chg	-24.0%

Shariah Compliant	Yes
Bloomberg Ticker	STMB MK Equity
Market Cap (RM m)	3,075.1
Shares Outstanding	835.6
52-week range (H)	5.08
52-week range (L)	3.57
3-mth avg daily vol	1,353,663
Free Float	52%
Beta	1.1

Major Shareholders

Lembaga Tabung Haji	28.3%
Employees Provident Fund	10.1%
Kumpulan Wang Persaraan	6.7%

Summary Earnings Table

FY Dec (RM m)	2020A	2021E	2022E
Gross Premium	2,514	2,552	2,682
Net Premium	2,073	2,167	2,324
Other Income	657	514	509
Total Income	2,730	2,681	2,833
Pre-tax Profit	427	416	441
PATAMI	362	351	385
Core PATAMI	362	351	385
Consensus NP	-	379	391
Earnings Revision	-	-7%	0%
Core EPS (sen)	43.8	42.3	46.5
EPS growth (%)	(0.7)	(3.2)	9.8
DPS (sen)	12.0	18.0	20.0
BVPS (RM)	1.82	2.07	2.33
ROE (%)	26.5	21.8	21.1
PER (x)	8.4	8.7	7.9
PBV (x)	2.0	1.8	1.6
Net Div. Yield (%)	3.3	4.9	5.4

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Results Highlights								
	3Q21	2Q21	QoQ	3Q20	YoY	9M21	9M20	YoY
			Chg		Chg			Chg
FYE Dec (RM m)								
Operating Revenue	684.3	701.2	-2%	753.5	-9%	2,301.0	2,182.2	5%
Gross Earned Premium	633.1	641.4	-1%	675.4	-6%	1,973.4	1,812.4	9%
Net Earned Premium	508.6	526.0	-3%	571.1	-11%	1,593.4	1,493.3	7%
Other Income	142.6	116.1	23%	151.2	-6%	377.6	369.3	2%
Total Income	651.2	642.1	1%	722.3	-10%	1,970.9	1,862.5	6%
Net claims incurred	(234.4)	(224.8)	4%	(248.0)	-5%	(694.4)	(670.4)	4%
Operating Expenses	(168.8)	(157.0)	7%	(177.2)	-5%	(523.0)	(507.0)	3%
Operating Profit	248.1	260.3	-5%	297.1	-16%	753.5	685.1	10%
Profit before taxation and zakat	88.4	95.7	-8%	97.8	-10%	298.6	309.6	-4%
Taxation & Zakat	(15.7)	(13.9)	13%	(15.0)	4%	(42.9)	(49.8)	-14%
Net profit	72.7	81.8	-11%	82.7	-12%	255.7	259.8	-2%
Core NP	72.7	81.8	-11%	82.7	-12%	255.7	259.8	-2%
Core EPS (RM)	8.7	9.8	-11%	10.0	-13%	30.6	31.3	-2%
DPS (RM)	0.0	0.0	NM	-	NM	0.0	0.0	NM
Reinsurance Ratio	19.7%	18.0%		15.4%		19.3%	17.6%	
Retention Ratio	80.3%	82.0%		84.6%		80.7%	82.4%	
Claims Incurred Ratio (to Net Earned Premium, NEP)	46.1%	42.7%		43.4%		43.6%	44.9%	
Net Admin Ratio (to NEP)	4.1%	5.9%		5.3%		5.3%	5.5%	
Management Expense Ratio (to NEP)	19.7%	19.3%		18.0%		19.2%	19.3%	
Opex Ratio to NEP	33.2%	29.8%		31.0%		32.8%	33.9%	
Combined Ratio (to NEP)	69.9%	67.9%		66.7%		68.1%	69.6%	
Effective Taxation Rate	17.7%	14.5%		15.4%		14.4%	16.1%	
PBT Margin	12.9%	13.7%		13.0%		13.0%	14.2%	
NP Margin	10.6%	11.7%		11.0%		11.1%	11.9%	
Annualised ROE	17.83%	20.86%		24.27%		20.89%	25.40%	

Source: Company, Kenanga Research

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Peer Comparison

Name	Last Price (RM)	Market Cap (RM'm)	Shariah Compliant	Current FYE	Revenue Growth		Core Earnings Growth		PER (x) - Core Earnings			PBV (x)		ROE (%)		Net Div Yld (%)	Target Price (RM)	Rating
					1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	2-Yr. Fwd.	Hist.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.			
NON-BANK FINANCIAL INSTITUTIONS																		
AEON CREDIT SERVICE M BHD	13.98	3,569.2	N	02/2022	10.0%	9.8%	44.6%	13.9%	15.9	11.0	9.7	2.1	1.9	16.6%	2.9%	14.00	OP	
CTOS DIGITAL BHD	6.42	5,195.7	Y	12/2021	-1.7%	-6.0%	-1.3%	-17.5%	13.7	13.9	16.9	5.7	5.6	40.7%	6.5%	7.60	MP	
BURSA MALAYSIA BHD	1.85	4,070.0	Y	12/2021	16.1%	16.9%	63.4%	23.4%	103.9	63.6	51.5	36.7	13.0	29.8%	0.9%	2.00	MP	
LPI CAPITAL BERHAD	13.92	5,545.5	N	12/2021	2.9%	4.0%	2.4%	2.9%	16.5	16.1	15.6	2.7	2.5	16.3%	5.3%	14.20	MP	
SYARIKAT TAKAFUL MALAYSIA KELUARGA BHD	3.68	3,075.1	Y	12/2021	1.5%	5.1%	-3.2%	9.8%	8.4	8.7	7.9	2.0	1.8	21.8%	4.9%	5.85	OP	
Simple Average					5.8%	6.0%	21.2%	6.5%	31.7	22.7	20.3	9.9	4.9	25.0%	4.1%			

Source: Bloomberg, Kenanga Research

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Stock Ratings are defined as follows:**Stock Recommendations**

OUTPERFORM	: A particular stock's Expected Total Return is MORE than 10%
MARKET PERFORM	: A particular stock's Expected Total Return is WITHIN the range of -5% to 10%
UNDERPERFORM	: A particular stock's Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT	: A particular sector's Expected Total Return is MORE than 10%
NEUTRAL	: A particular sector's Expected Total Return is WITHIN the range of -5% to 10%
UNDERWEIGHT	: A particular sector's Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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