

22 August 2025

Syarikat Takaful M'sia Keluarga

Counting on Equities

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TAKAFUL 1HFY25 net earnings (-9%) were within expectations, with a notable shortfall in investment performance from its equity portfolio, which we opine would revert favourably in line with market trends. The group is pursuing a 20-year bancatakaful agreement with RHBBANK, which should cement its presence in the channel while leveraging its wide branch network. Given the softness in its share price, TAKAFUL now offers yields of >5% which could be attractive to yield seekers. Maintain OUTPERFORM and TP of RM4.40.

1HFY25 within expectations. TAKAFUL's 1HFY25 net profit of RM178.4m made up 46% of our full-year forecast and 45 of consensus full-year estimates.

YoY, takaful service results doubled (+99%) on continued strength in the group's credit-related family takaful products (+19%). However, this was mitigated by a fall in net investment income (-24%) led by fair value losses on its equity investment holdings. Although this resulted in a flattish PBT, the higher effective taxes and minority interest in 1HFY25 dragged net profits to RM178.4m (-9%).

QoQ, 2QFY25 net profit shrank by 11%, which was in tandem with the decrease in revenue (-12%) from lower contribution releases during the period.

Highlights. TAKAFUL looks to strengthen its presence through stronger bancatakaful relationships, undertaking a new 20-year deal with RHBBANK for both family and general takaful offerings. Collectively, the banca channel is thought to make up c.50% of total gross contributions, which are predominantly anchored by the group's single contribution credit-related products.

While the detariffication of fire class products continues, TAKAFUL remains fairly insulated by the developments, making up only 8% of overall gross contributions to the group.

In relation to the expansion of SST on brokerage of family takaful, while we lack clarity if TAKAFUL would fully pass on the 8% charge to RHBBANK, we opine that the impact of a full absorption may not be overly stressful. Assuming its 65% composition to family takaful's distribution and at a rate of 10% commission, the effective impact to earnings may still range at <5%.

Forecasts. Maintained.

Maintain OUTPERFORM and TP of RM4.40. Our TP is based on an unchanged 1.7x FY25F PBV. This comes at a discount against the industry average PBV of 2.1x on the back of: (i) lower net margin of 11% (vs. peers of 17%), and (ii) lower dividend returns of c.5% (vs. peers of 6-7%).

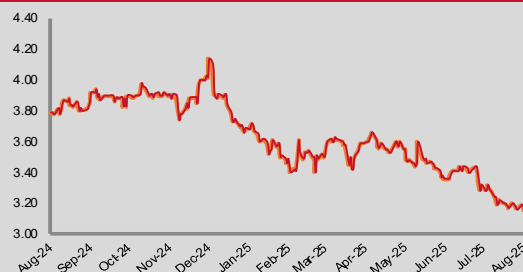
TAKAFUL's lower sensitivity to detariffication is further emphasised with the strong growth seen in its other business segments. On the other hand, its leading ROE against peers could make up for its softer performing metrics. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us.

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

OUTPERFORM ↔

Price : **RM3.17**
Target Price : **RM4.40 ↔**

Share Price Performance



KLCI	1,592.87
YTD KLCI chg	-3.0%
YTD stock price chg	-18.5%

Stock Information

Shariah Compliant	Yes
Bloomberg Ticker	STMB MK Equity
Market Cap (RM m)	2,764.8
Shares Outstanding	837.31
52-week range (H)	4.16
52-week range (L)	3.13
3-mth avg. daily vol.	222,883
Free Float	54%
Beta	0.68

Major Shareholders

Lembaga Tabung Haji	30.8%
Employees Provident Fund	18.7%
Kumpulan Wang Persaraan	6.6%

Summary Earnings Table

FY Dec (RM m)	2024A	2025F	2026F
Takaful Revenue	3,576	3,989	4,425
Takaful Results	218	316	402
Net Financial Results	-241	-306	-373
Pre-tax Profit	575	556	573
Net Profit	378	389	401
Core Net Profit	378	389	401
Consensus (NP)		401	418
Earnings Revision (%)		0.0%	0.0%
Core EPS (sen)	45.2	46.5	47.9
Core EPS Growth (%)	0.1	0.0	0.0
DPS (sen)	17.0	16.3	16.8
BVPS (RM)	2.29	2.59	2.90
ROE (%)	21.0	19.0	17.4
PER (x)	7.0	6.8	6.6
PBV (x)	1.4	1.2	1.1
Net Div. Yield (%)	5.4	5.1	5.3

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Results Highlights

	2Q	1Q	QoQ	2Q	YoY	6M	6M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Takaful Revenue	867.1	980.6	-11.6%	862.5	0.5%	1,847.7	1,688.5	9.4%
Takaful Service Result before Retakaful	34.1	132.1	-74.2%	20.2	68.6%	166.2	81.9	103.0%
Net retakaful contracts income/(expense)	-12.5	-13.8	-9.9%	-3.2	284.8%	-26.3	-11.8	122.4%
Takaful Service Results	21.6	118.2	-81.7%	17.0	27.4%	139.9	70.0	99.7%
Net Investment Income	181.6	80.0	127.1%	186.8	-2.8%	261.6	345.5	-24.3%
Net Takaful Financial Results	-65.5	-45.0	45.5%	-65.0	0.8%	-110.5	-124.7	-11.4%
Other Income	0.2	0.4	-50.6%	0.9	-79.6%	0.6	1.2	-52.3%
Other operating expenses	-2.1	-2.5	-15.9%	-3.1	-33.0%	-4.6	-5.1	-10.2%
Profit before tax expense and zakat	135.9	151.1	-10.1%	136.6	-0.5%	287.0	286.9	0.0%
Tax and zakat	-47.3	-53.2	-11.1%	-43.0	10.1%	-100.4	-90.9	10.4%
Minority interest	-4.8	-3.4	40.9%	-0.6	728.8%	-8.2	-0.6	1365.4%
Net Profit	83.9	94.6	-11.4%	93.1	-9.9%	178.4	195.4	-8.7%
Core Net Profit	83.9	94.6	-11.4%	93.1	-9.9%	178.4	195.4	-8.7%
Takaful Service Expense Margin (To Takaful Revenue)	96.1%	86.5%		97.7%		91.0%	95.2%	
Net Takaful Service Margin (To Takaful Revenue)	2.5%	12.1%		2.0%		7.6%	4.1%	
Effective Tax and Zakat Rate	34.8%	35.2%		31.4%		35.0%	31.7%	
Annualised Return on Equity (ROE)	14.8%	17.8%		19.9%		16.3%	21.4%	
Total Assets	17,542.2	17,187.2		15,693.2		17,542.2	15,693.2	
Total Liabilities	15,278.7	15,025.4		13,783.0		15,278.7	13,783.0	
Total Shareholders' Funds	2,263.4	2,128.4		1,875.1		2,263.4	1,875.1	
Book Value per Share (RM)	2.70	2.54		2.24		2.62	2.19	

Source: Company, Kenanga Research

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
NON-BANK FINANCIAL INSTITUTIONS																	
AEON CREDIT SERVICE M BHD	OP	5.15	6.25	21.4%	2,630	N	02/2026	69.7	86.0	-3.9%	23.4%	7.4	6.0	0.9	12.3%	28.0	5.4%
BURSA MALAYSIA BHD	MP	7.73	8.00	3.5%	6,256	Y	12/2025	32.7	36.4	-14.7%	11.3%	23.7	21.3	7.0	30.0%	31.0	4.0%
CTOS DIGITAL BHD	MP	0.890	0.790	-11.2%	2,054	Y	12/2025	3.7	4.4	-18.3%	19.0%	23.9	20.1	3.2	13.6%	2.8	3.1%
LPI CAPITAL BERHAD	OP	14.74	16.00	8.5%	5,872	N	12/2025	93.7	100.8	-1.1%	7.6%	15.7	14.6	2.4	15.4%	84.0	5.7%
SYARIKAT TAKAFUL MSIA KELUARGA BHD	OP	3.17	4.40	38.8%	2,765	Y	12/2025	46.5	47.9	2.9%	3.1%	6.8	6.6	1.2	19.0%	16.3	5.1%
SECTOR AGGREGATE					19,577					-4.7%	11.6%	13.3	11.9	2.2	16.2%		4.7%

Source: Kenanga Research

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Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★	☆	
	Financial Inclusion	★	★	★	★	
	Ethical Practices	★	★	★		
	Legal & Regulatory Compliance	★	★	★		
	Customer Experience	★	★	★		
OVERALL		★	★	★		

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

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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Published by:

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