

25 February 2026

LPI Capital

Synergies to Support FY26

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LPI's FY25 earnings (-3% YoY) and full-year dividend payment of 80.0 sen met expectations. We believe the increasing frequency of climate-related events could pose downside risks to the group's core fire insurance segment, which accounts for the bulk of earnings, through potentially higher claims incidence and rising reinsurance costs. This prompted us to trim our FY26F earnings by 5%. That said, closer collaboration with PBBANK from strengthened distribution channels could support longer-term growth for its other products. Maintain OUTPERFORM and TP of RM16.00 with potential special dividend yields of up to c.13% from the pending disposal of its PBBANK shares.

FY25 results within expectations. LPI's FY25 net profit of RM367.8m made up 99% of our full-year forecast but came below consensus estimates by 6%. An interim dividend of 50 sen was also declared for a full-year payment of 80.0 sen (87% payout) which is also within our previously anticipated 84.0 sen dividends for the year.

So far, none of its 1.13% equity interest (220.3m shares) in PBBANK has been disposed. The group's extended deadline for the completion of its disposal is 3 Jun 2026.

YoY, FY25 net profit fell slightly (-3%) to RM367.8m. In spite of higher insurance service revenues (+10%) from fire class products (+14%) and miscellaneous insurances (+10%), insurance service results dipped by 8%. This was driven by a higher net claims incurred ratio of 45.4% (+5.0 ppts) which could have also resulted in a lower retention ratio of 67.7% (-3.9 ppts) as LPI navigates rising claims risks.

QoQ, 4QFY25 net profit fell by 38%. While this was due to the same abovementioned reasons, we noted that investment income also plunged by 44% owing to the absence of lumpy dividend payments. Adjusting for dividends, earnings would have dropped by 28% instead.

Highlights. We opine that LPI's fire and real estate insurance segments may face elevated claims risk arising from the increasing frequency and severity of climate-related events and exposures, which could in turn lead to higher reinsurance premiums. This may prompt the group to adopt a more selective approach towards risk underwriting and pricing in the near term, potentially moderating growth for the segment. Notably, this remains LPI's core business, contributing c.70% of its insurance service results.

Still, this could be offset from the group benefitting from the expansion of its distribution capabilities through a wider agency network and branch footprint following its acquisition by PBBANK in Dec 2024, which should accelerate customer outreach across key markets. The broader distribution platform could help offset potential gaps in investment income arising from the pending disposal of LPI's 1.13% stake in PBBANK shares, with approximately 30% of the proceeds earmarked for redeployment into new investment opportunities.

Notably, healthcare and medical insurance is not a large contributor to LPI's gross premiums, anticipated to make up <10% of its portfolio. This thereby limits pressures from the segment which may arise from the implementation of the government's base MHIT plan.

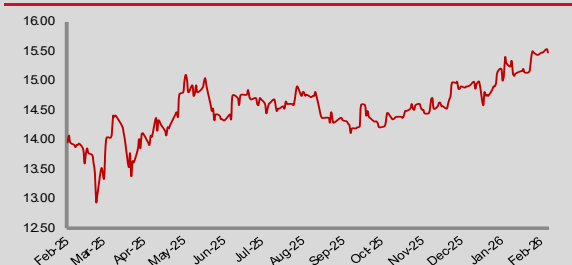
Forecast. We trimmed our FY26F earnings by 5%, mainly to adjust for higher potential reinsurance premiums from its fire insurance segment. Meanwhile, we introduce our FY27F earnings.

Maintain OUTPERFORM and TP of RM16.00. Our TP is based on an unchanged 2.6x FY26F PBV.

OUTPERFORM ↔

Price : RM15.48
Target Price : RM16.00 ↔

Share Price Performance



KLCI	1,754.19
YTD KLCI chg	4.4%
YTD stock price chg	3.6%

Stock Information

Shariah compliant	No
Bloomberg ticker	LPI MK Equity
Market cap (RM m)	6,167.0
Shares outstanding	398.4
52-week range (H)	15.54
52-week range (L)	12.92
3-mth avg. daily vol.	47,095
Free float	79%
Beta	0.70

Major Shareholders

Public Bank Berhad	44.2%
Sompo Holdings Inc	8.5%
Retirement Benefits Fund	4.7%

Summary Earnings Table

FY Dec (RM m)	2025A	2026F	2027F
Insurance Revenue	1,960.9	2,005.7	2,086.6
Insurance Results	347.7	375.2	390.8
Net Financial Results	120.8	117.6	115.9
Pre-tax Profit	457.2	479.0	493.8
Net Profit	367.8	383.2	395.1
Core Net Profit	367.8	383.2	395.1
Consensus (NP)	-	422.8	448.6
Earnings Revision (%)	-	-4.6%	NEW
Core EPS (RM)	0.92	0.96	0.99
Core EPS Growth (%)	-2.5	4.2	3.1
DPS (RM)	80.0	88.0	90.0
BVPS (RM)	6.17	6.15	6.24
ROE (%)	15.1	15.6	16.0
PER (x)	16.8	16.1	15.6
PBV (x)	2.51	2.52	2.48
Div. Yield (%)	5.2	5.7	5.8

25 February 2026

This represents a 25% premium against the industry average of 2.1x which we believe is fair given: (i) better net margins of 18%–20% (vs peer's 11%), and (ii) higher dividend returns of 5%–6% (vs peer's 4%–5%). LPI's premium valuation may also be supported by its long-term viability from its affiliation with Public Bank with the pending solidifying of synergies. Further, assuming a 70% distribution from the entire disposal of its PBBANK shares at the current price point of RM5.09/share, investors could enjoy a special dividend of up RM1.97/share or 12.7% yield. 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, and (iii) higher-than-expected management expense ratio.

Results Highlights

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Operating Revenue	540.2	549.3	-1.7%	487.6	10.8%	2,112.2	1,926.6	9.6%
Insurance Service Revenue	512.6	499.9	2.5%	462.4	10.9%	1,960.9	1,781.6	10.1%
Insurance Service Result	83.1	98.7	-15.9%	90.1	-7.8%	347.7	377.8	-8.0%
Investment Income	27.5	49.4	-44.2%	25.2	9.2%	151.3	145.1	4.3%
Net Financial Result	9.6	41.5	-76.9%	7.8	22.6%	120.8	107.0	12.9%
Net Operating Expenses	-1.6	-3.2	-50.8%	-3.1	-48.8%	-12.4	-12.7	-2.9%
Associate Contributions	0.5	0.2	121.1%	1.0	-54.8%	1.1	2.1	-46.0%
Profit before tax	91.5	137.2	-33.3%	95.8	-4.5%	457.2	474.1	-3.6%
Taxation	-19.7	-22.4	-11.9%	-22.0	-10.3%	-89.5	-97.0	-7.8%
Minority interest	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Net Profit	71.8	114.8	-37.5%	73.9	-2.8%	367.8	377.1	-2.5%
Core Net Profit	71.8	114.8	-37.5%	73.9	-2.8%	367.8	377.1	-2.5%
Retention Ratio (to GWP)	62.7%	68.9%		67.5%		67.7%	71.6%	
Net claims incurred ratio*	48.2%	43.8%		41.5%		45.4%	40.4%	
Management expense ratio*	20.9%	20.2%		19.8%		20.9%	19.6%	
Net commission ratio*	7.8%	7.9%		7.9%		8.0%	8.2%	
Net insurance finance cost ratio*	3.3%	3.2%		3.9%		3.3%	3.3%	
Losses on onerous contracts ratio*	-2.2%	-2.1%		2.0%		-1.5%	0.6%	
Combined ratio	78.0%	73.0%		75.1%		76.1%	72.1%	
Effective Taxation Rate	21.5%	16.3%		22.9%		19.6%	20.5%	
Annualised ROE	11.7%	19.6%		12.2%		17.0%	17.8%	

Notes:

* As provided by the group's internal management accounts

Source: Company, Kenanga Research

Segmental Performance

	4Q	3Q	QoQ	4Q	YoY	12M	12M	YoY
FYE Dec (RM m)	FY25	FY25	Chg	FY24	Chg	FY25	FY24	Chg
Insurance Revenue								
Fire	211.9	198.3	6.8%	186.1	13.9%	782.5	684.9	14.2%
Motor	125.8	124.7	0.9%	116.6	7.9%	484.0	444.0	9.0%
Marine, Aviation & Transit	19.4	21.6	-9.8%	25.8	-24.5%	92.8	106.9	-13.2%
Miscellaneous	155.5	155.4	0.1%	134.0	16.1%	601.6	545.7	10.2%
Total Insurance Revenue	512.6	499.9	2.5%	462.4	10.9%	1,960.9	1,781.6	10.1%
Insurance Service Result								
Fire	58.5	60.5	-3.3%	71.3	-18.0%	215.0	271.0	-20.7%
Motor	0.8	13.8	-94.0%	5.8	-85.9%	42.6	24.9	70.8%
Marine, Aviation & Transit	1.8	-1.4	-223.7%	0.8	128.5%	3.9	0.7	448.8%
Miscellaneous	22.0	25.9	-14.9%	12.3	79.7%	86.2	81.1	6.3%
Total Insurance Service Result	83.1	98.7	-15.9%	90.1	-7.8%	347.7	377.8	-8.0%
Insurance Service Result/Revenue								
Fire	27.6%	30.5%		38.3%		27.5%	39.6%	
Motor	0.7%	11.1%		5.0%		8.8%	5.6%	
Marine, Aviation & Transit	9.0%	-6.6%		3.0%		4.2%	0.7%	
Miscellaneous	14.2%	16.7%		9.2%		14.3%	14.9%	
Total	16.2%	19.7%		19.5%		17.7%	21.2%	

Source: Company, Kenanga Research

25 February 2026

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	5.90	6.25	5.9%	3,012.6	N	02/2026	69.7	86.0	-3.9%	23.4%	8.5	6.9	1.0	12.3%	28.0	4.7%
Bursa Malaysia Bhd	MP	9.07	8.80	-3.0%	7,340.3	Y	12/2026	35.3	35.9	14.1%	1.7%	25.7	25.3	9.1	35.5%	34.0	3.7%
CTOS Digital Bhd	MP	0.825	0.790	-4.2%	1,876.9	Y	12/2026	4.3	4.1	11.8%	-4.1%	19.3	20.2	3.0	15.9%	3.2	3.9%
LPI Capital Bhd	OP	15.48	16.00	3.4%	6,167.0	N	12/2026	96.2	99.2	4.2%	3.1%	16.1	15.6	2.5	15.6%	88.0	5.7%
Syarikat Takaful Malaysia Keluarga Bhd	OP	3.32	4.40	32.5%	2,895.6	Y	12/2025	46.5	47.9	2.9%	3.1%	7.1	6.9	1.3	19.1%	18.5	5.6%
SECTOR AGGREGATE					21,293					4.0%	7.1%	14.1	13.1	2.4	16.8%		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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