

29 April 2026

LPI Capital

Counting on Specials

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LPI's 1QFY26 net profit (+2% YoY) met expectations. Long-term growth prospects for LPI could hinge on the gradual formation of synergies with PBBANK. That said, near-term earnings could see challenges from a volatile investment landscape and risks of higher reinsurance premiums. Maintain **OUTPERFORM** and TP of **RM16.00** with potential special dividend yield of up to c.13% from the pending disposal of its PBBANK shares.

1QFY26 within expectations. LPI's 1QFY26 net profit of RM99.5m made up 25% of both our full-year forecast and consensus full-year estimates. No dividend was declared this quarter as the group typically pays on a bi-annual basis.

YoY, 1QFY26 net profit inched up 2% to RM99.5m. Although its insurance service results improved by 14% on the back of stronger fire class products (+58%) led by recoveries, its net financial results declined by 19% from fair value losses reported during the period. We opine this could be owing to broader market volatility amid geopolitical conflicts.

QoQ, 1QFY26 net profit surged by 39% mainly driven by higher investment income from dividends received during the quarter. Excluding dividend returns, earnings would have still improved by 7%, thanks to lower net claims between its fire and miscellaneous insurance.

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.

The extended deadline for the disposal of said PBBANK shares is 3 June 2026.

Forecast. Maintained.

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

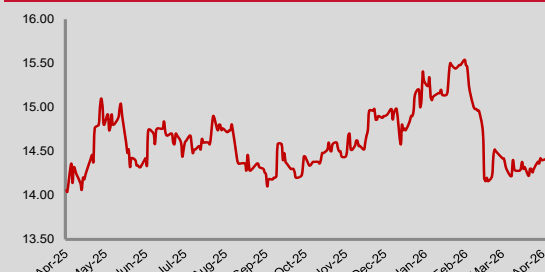
Further, assuming a 70% distribution from the entire disposal of its PBBANK shares at the current price point of RM4.78/share, investors could enjoy a special dividend of up RM1.84/share or 12.8% yield. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us.

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

OUTPERFORM ↔

Price : **RM14.38**
Target Price : **RM16.00** ↔

Share Price Performance



KLCI	1,729.60
YTD KLCI chg	2.9%
YTD stock price chg	-3.7%

Stock Information

Shariah compliant	No
Bloomberg ticker	LPI MK Equity
Market cap (RM m)	5,728.7
Shares outstanding	398.4
52-week range (H)	15.54
52-week range (L)	14.06
3-mth avg. daily vol.	75,338
Free float	79%
Beta	0.76

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)	-	402.2	428.7
Earnings Revision (%)	-	-	-
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)	15.6	14.9	14.5
PBV (x)	2.33	2.34	2.30
Div. Yield (%)	5.6	6.1	6.3

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Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Operating Revenue	547.7	540.2	1.4%	515.1	6.3%	547.7	515.1	6.3%
Insurance Service Revenue	497.2	512.6	-3.0%	465.8	6.8%	497.2	465.8	6.8%
Insurance Service Result	89.9	83.1	8.2%	78.7	14.2%	89.9	78.7	14.2%
Investment Income	50.5	27.5	83.2%	49.3	2.3%	50.5	49.3	2.3%
Net Financial Result	35.4	9.6	269.4%	43.9	-19.4%	35.4	43.9	-19.4%
Net Operating Expenses	-3.8	-1.6	140.6%	-3.0	26.3%	-3.8	-3.0	26.3%
Associate Contributions	0.6	0.5	38.1%	0.5	38.1%	0.6	0.5	38.1%
Profit before tax	122.1	91.5	33.4%	120.0	1.7%	122.1	120.0	1.7%
Taxation	-22.5	-19.7	14.3%	-22.1	2.1%	-22.5	-22.1	2.1%
Minority interest	0.0	0.0	N.M	0.0	N.M.	0.0	0.0	N.M
Net Profit	99.5	71.8	38.6%	98.0	1.6%	99.5	98.0	1.6%
Core Net Profit	99.5	71.8	38.6%	98.0	1.6%	99.5	98.0	1.6%
Retention Ratio (to GWP)	71.3%	62.7%		72.6%		71.3%	72.6%	
Net claims incurred ratio*	44.5%	48.2%		45.7%		44.5%	45.7%	
Management expense ratio*	21.1%	20.9%		21.2%		21.1%	21.2%	
Net commission ratio*	7.5%	7.8%		8.2%		7.5%	8.2%	
Net insurance finance cost ratio*	2.9%	3.3%		3.5%		2.9%	3.5%	
Losses on onerous contracts ratio*	-1.1%	-2.2%		-0.9%		-1.1%	-0.9%	
Combined ratio	74.9%	78.0%		77.7%		74.9%	77.7%	
Effective Taxation Rate	18.4%	21.5%		18.4%		18.4%	18.4%	
Annualised ROE	16.7%	11.7%		17.1%		16.7%	17.1%	

Notes:

* As provided by the group's internal management accounts

Source: Company, Kenanga Research

Segmental Performance

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Dec (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Insurance Revenue								
Fire	211.6	211.9	-0.2%	182.0	16.3%	211.6	182.0	16.3%
Motor	124.0	125.8	-1.5%	114.7	8.1%	124.0	114.7	8.1%
Marine, Aviation & Transit	23.1	19.4	19.0%	29.1	-20.5%	23.1	29.1	-20.5%
Miscellaneous	138.6	155.5	-10.9%	140.0	-1.0%	138.6	140.0	-1.0%
Total Insurance Revenue	497.2	512.6	-3.0%	465.8	6.8%	497.2	465.8	6.8%
Insurance Service Result								
Fire	63.4	58.5	8.5%	40.3	57.5%	63.4	40.3	57.5%
Motor	2.8	0.8	237.4%	19.3	-85.6%	2.8	19.3	-85.6%
Marine, Aviation & Transit	2.5	1.8	40.7%	0.9	164.8%	2.5	0.9	164.8%
Miscellaneous	21.2	22.0	-3.6%	18.2	16.9%	21.2	18.2	16.9%
Total Insurance Service Result	89.9	83.1	8.2%	78.7	14.2%	89.9	78.7	14.2%
Insurance Service Result/Revenue								
Fire	30.0%	27.6%		22.1%		30.0%	22.1%	
Motor	2.2%	0.7%		16.9%		2.2%	16.9%	
Marine, Aviation & Transit	10.6%	9.0%		3.2%		10.6%	3.2%	
Miscellaneous	15.3%	14.2%		13.0%		15.3%	13.0%	
Total	18.1%	16.2%		16.9%		18.1%	16.9%	

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	6.03	6.25	3.6%	3,079.0	N	02/2027	78.2	86.5	3.4%	10.6%	7.7	7.0	1.0	12.7%	31.5	5.2%
Bursa Malaysia Bhd	OP	8.60	9.25	7.6%	6,960.0	Y	12/2026	37.0	36.5	19.8%	-1.5%	23.2	23.6	8.5	37.1%	35.0	4.1%
CTOS Digital Bhd	OP	0.720	0.830	15.3%	1,638.1	Y	12/2026	4.3	4.1	11.8%	-4.1%	16.9	17.6	2.6	15.9%	3.2	4.4%
LPI Capital Bhd	OP	14.38	16.00	11.3%	5,728.7	N	12/2026	96.2	99.2	4.2%	3.1%	14.9	14.5	2.3	15.6%	88.0	6.1%
Syarikat Takaful Malaysia Keluarga Bhd	OP	3.43	4.40	28.3%	2,991.6	Y	12/2026	47.1	48.9	2.6%	3.7%	7.3	7.0	1.3	17.3%	19.0	5.5%
Well Chip Group Bhd	OP	1.43	2.00	39.9%	858.0	N	12/2026	19.7	21.7	37.2%	10.2%	7.3	6.6	1.4	21.8%	6.9	4.8%
SECTOR AGGREGATE					21,255					8.4%	4.3%	12.6	12.0	2.1	16.9%		5.0%

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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