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Headline	Syarikat Takaful to Deliver Robust ROEs — Analysts				

KUCHING: Syarikat Takaful Malaysia Keluarga Bhd (Syarikat Takaful) will likely maintain its high returns on equities (ROEs) of more than 30 per cent, supported by its new growth strategies.

In a report, the research team at Affin Hwang Investment Bank Bhd (AffinHwang Capital) said: “Our investment thesis on Syarikat Takaful is based on its potential to deliver ROEs of circa 33 to 35 per cent in 2019E to 2021E.

“This is being driven by new growth strategies such as expansion of high-margin products such as credit-related takaful cover (for banks’ customers) while leveraging on the digital channels and affiliated partners for distribution, which helps in lowering agent’s fees.

“Part of these initiatives are already reflected in its 4Q18 earnings where net profit jumped 61.9 per cent y-o-y.”

It projected a net profit growth of 23.7, 25.9, and 17 per cent for 2019, 2020, and 2021 respectively, which translates into a three-year profit compounded annual growth rate (CAGR) of 22.2 per cent.

“Syarikat Takaful’s dividend yield angle is also looking attractive – based on our assumption of a payout ratio of 45 per cent for 2019 to 2021, this translates into a yield of 4.4 to 6.5 per cent,” it added.

AffinHwang Capital highlighted that some of Syarikat Takaful’s key strengths includes its its Family Takaful and General Takaful units, which distribute mostly high-margin single contribution (or premium) products.

“The Family claims ratio of 52.9 per cent (below some key Takaful players), has been on a downtrend, hence mitigating the impact from rising claims at the General unit (in-line with industry).

“Potential upside lies in a decline in management expenses, as expansion is geared towards its digital platform and bancatakaful partners,” it added.

It also pointed out that Syarikat Takaful saw both its Family Takaful (2018 net earned contribution increased 25.6 per cent y-o-y) and General Takaful (up 35.3 per cent y-o-y) outperforming Takaful industry growth rate of 15.2 and 17 per cent y-o-y respectively for 2018.

“We believe that Syarikat Takaful has been on an aggressive market expansion drive,” it said.

Apart from Syarikat Takaful’s expansion drive, it also pointed out that the industry has been in favour of Takaful products, such as through the increase in market awareness and growth of Islamic financing (at the conventional banks, of which also require an accompanying syariah-related insurance product).

As such, AffinHwang Capital initiated its coverage on Syarikat Takaful with a ‘buy’ call on the stock.