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Syarikat Takaful aims to maintain 43% pace of profit growth

It is also mulling a bonus issue if its share price continues to hover around current levels

BY ARJUNA CHANDRAN SHANKAR

KUALA LUMPUR: Syarikat Takaful Malaysia Keluarga Bhd (STMK) is aiming to match, if not better, last year's impressive 43% pace of earnings growth following a 38% jump in profit to RM96.44 million in the first quarter (1Q) ended March.

"Looking at the first quarter numbers, things are looking quite good for the remainder of the year," chief executive officer Datuk Seri Mohamed Hassan Kamil told reporters after its annual general meeting here yesterday.

Its 1Q revenue rose 23% to RM918 million from RM746.17

million a year ago.

"Normally the first quarter result is always good for us, the remaining quarters tend to be a bit slow, but towards the end of the year it will pick up again," Mohamed Hassan observed.

The insurer registered earnings of RM295 million, or a hefty 43% year-on-year (y-o-y) growth in its financial year ended Dec 31, 2018 (FY18). Revenue increased 23% to RM2.64 billion.

Mohamed Hassan expects STMK's credit-related products to drive revenue as product demand is expected to grow in line with Islamic finance. Fire, general takaful, and motor insurance would also contribute to top-line growth, he said, noting

the placement of motor insurance on its digital platform saw a monthly gross contribution of RM5 million.

The group has more than a million policyholders and has seen a 20% to 35% y-o-y rise in numbers, he said, adding that growth has been quite flat for conventional insurance, but that the takaful industry has seen low double-digit growth as the segment is relatively newer and growing from a lower base.

On its Indonesian operations, Mohamed Hassan said the group's longer-term goal is for the segment to contribute a fifth to the insurer's bottom line, from less than 5% at present. According to STMK's FY18

annual report, the group has two subsidiaries in Indonesia: PT Syarikat Takaful Indonesia (56% stake), and PT Asuransi Takaful Keluarga (74.80%).

"A lot of foreign insurers in Indonesia are operating via the takaful window concept, we have a stand-alone company in the country. At this moment in time I do not see the segment contributing significantly to our top line and bottom line for 2019," said Mohamed Hassan.

Takaful windows are used by insurers to provide shariah-compliant products alongside conventional products, on the basis that the client's funds for each product are segregated and not pooled together.

Mohamed Hassan said the group was in discussions with certain parties over the possibility of a joint venture in Indonesia, adding that the right partner would need to have distribution capabilities.

He also hinted at the possibility of declaring a bonus issue if STMK's share price continues to hover around current levels of RM6.18. "It is a possibility. It will improve liquidity in the market, and the price will adjust itself downwards to make it (the stock) more affordable, perhaps that is something we will look at."

STMK is currently trading at a five-year high, with a market capitalisation of RM5.11 billion.