

Publication	The Edge	Section / Page	42	Date	17 September 2019
Headline	Syarikat Takaful Malaysia Keluarga Berhad				

Syarikat Takaful Malaysia Keluarga Bhd

Target price: **RM6.30 HOLD**



HLIB RESEARCH (SEPT 10): Through a wide network of bancatakaful partners, STMB is riding the robust Islamic banking growth (15 percentage points faster than its conventional counterparts). Looking at the low insurance penetration rate, favourable demographics and huge domestic protection gap, we believe the structural long-term growth prospects for the group remain bright. STMB is also well positioned to capture these market opportunities, considering that it is one of the top two takaful operators in Malaysia.

In a full-fledged liberalised market, we expect price-based rivalry to be more prevalent, hurting STMB's profitability in the process. Also, we believe STMB will be more negatively affected by the adoption of MFRS 17 since single premium products make up a large 90% plus of its family takaful business.

From FY18-21, we anticipate STMB's earnings to grow by a slower 11% CAGR versus 24% in FY15-18. This comes on the back of: (i) normalising 8% premium growth per year, (ii) lower general takaful wakalah fees growth of 6% CAGR (FY18-21) versus 19% (FY15-18), and (iii) a gradual uptick in net claims ratio of 44.6% in FY19 to 45.6% in FY21.