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Syarikat Takaful Malaysia Keluarga Bhd

Target price: **RM6.85 OUTPERFORM**

KENANGA RESEARCH (OCT 1): Post-meeting with management, we are reassured by Takaful's near-term outlook. While top-line growth could be less exciting as banca partnership yields plateau, its efficient operating setup should keep bottom-line expansion healthy. Its strong balance sheet remains one of the group's leading merits. In 1H19, the group posted a healthier claims incurred ratio of 41.9% (-14.6 percentage points) and management expense ratio of 9.2% (-0.1ppt). With a strong top-line base, we believe the group could emphasise its already stellar operating ratios to further boost sustainability.

Upgrade to "outperform" from "market perform" but with a lower target price of RM6.85 (from RM7.15). We believe investors could be less reactive to earnings growth owing to the slowing traction, but would continue to bank on the stock for its solid book. Takaful commands a superior ROE of about 30% (versus industry average of 20%) while continuing to be a leader in the takaful insurance space. Risks to our call include: (i) lower premium underwritten; (ii) higher-than-expected claims incurred; and (iii) higher-than-expected management expense ratio.