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Headline	Takaful's Strong Partnerships Will Drive Earnings Growth, Says RHB				

KUALA LUMPUR: RHB research remains bullish on Syarikat Takaful Malaysia Keluarga on its overall low insurance penetration in Malaysia, better-than-industry growth, strong bancatakaful channel and business digitalisation.

Further more, it said Takaful's strong partnership with four major partners including Bank Islam, Bank Rakyat and Affin Bank will continue to be the major contributor.

"According to management, STMB currently only commands c.1% of the total customer base of 4-5m customers from these four banks, which suggests enormous potential for the company.

"We also appreciate STMB's effort in integrating the banks' IT systems with its own which gives it an edge over other takaful operators," it said.

According to RHB, low insurance penetration and a rising middle class should be drivers of growth for insurance demand in Malaysia.

"The S-curve suggests that once a country's GDP/capita reaches USD10,000, the life insurance penetration rate (premium/GDP) should accelerate.

"With Malaysia's GDP/capita at c.USD10,600 in 2018, we see huge potential for the country to catch up with its more-developed regional peers.

"Also, a growing middle class bodes well for insurance demand on the back of higher disposable income and awareness on the need of insurance protection," it said.

To recap, Takaful recoded strong 1Q19 numbers due to its partnership with Bank Rakyat and strong wakalah fee income growth of 19% year-on-year.

The research house maintained its buy call on the stock with a higher target price of RM7 from RM4.40 previously.