TakafulMalaysia MyBulletin

Publication	The Star	Section / Page	Online	Date	25 November 2020
Headline	Kenanga Upgrades STMKB To 'Outperform'				

KUALA LUMPUR: Kenanga Research has upgraded Syarikat Takaful Malaysia Keluarga Bhd's outlook following improved earnings result in 3QFY20 from the previous quarter.

"Recent vaccine developments and news on the proposed EPF withdrawals for insurance and takaful products are positive for the sector.

"Given the recent pullback in share price, we raised our recommendation to 'outperform' from 'market perform' with an unchanged TP of RM5.25," said Kenanga.

For the nine months to Sept 30, the takaful provider's Patami of RM260mil accounted for 80% and 78% of Kenanga's and consensus full-year estimates, which put it in line with forecasts.

Operating revenue for the period fell 7% year-on-year to RM2.2bil due to 13% weaker revenue from the Family Fund compared to 11% higher revenue in the General Fund.

"Likewise, Gross Earned Premium (GEP) fell 12% to RM1.82b dragged by Family Fund, falling 17% to RM1.2b as Family Fund was affected by lower sales from credit-related and group medical products as the MCO and RMCO affected business activities," said Kenanga.

The General Fund's improved perfromance was owing to healthy business from the motor class segment.

On a quarter-on-quarter basis, 3QFY20 core net profit was 9% higher to RM83mil with gross earned premium rebounding in the Family Fund and General Fund due to the less restrictive recovery movement control order.

"The prevailing CMCO will likely pose challenges for 4QFY20 but we do not expect sombre earnings as seen previously during the MCO period.

"As a pioneer and early adopter of online distribution and new digital technologies in supporting distribution channels, we are positive Takaful will be able to mitigate some sales and operational challenges faced in this ongoing pandemic," said Kenanga.