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Headline	Is Syarikat Takaful Malaysia Keluarga Berhad's Recent Performance Tethered To Its Attractive Financial Prospects				

Syarikat Takaful Malaysia Keluarga Berhad's stock is up by 3.5% over the past three months. Given its impressive performance, we decided to study the company's key financial indicators as a company's long-term fundamentals usually dictate market outcomes. In this article, we decided to focus on Syarikat Takaful Malaysia Keluarga Berhad's ROE.

Return on equity or ROE is a key measure used to assess how efficiently a company's management is utilizing the company's capital. Put another way, it reveals the company's success at turning shareholder investments into profits.

How Do You Calculate Return On Equity?
Return on equity can be calculated by using the formula:

Return on Equity = Net Profit (from continuing operations) ÷ Shareholders' Equity

So, based on the above formula, the ROE for Syarikat Takaful Malaysia Keluarga Berhad is:

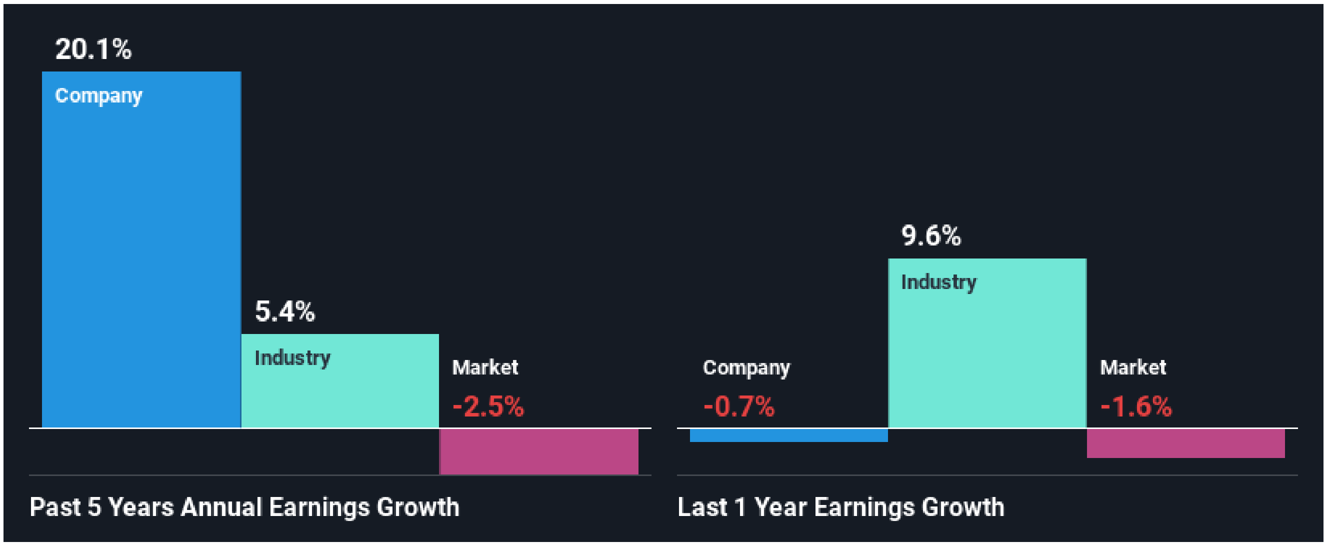
24% = RM364m ÷ RM1.5b (Based on the trailing twelve months to December 2020).

The 'return' is the yearly profit. Another way to think of that is that for every MYR1 worth of equity, the company was able to earn MYR0.24 in profit.

What Has ROE Got To Do With Earnings Growth?
So far, we've learned that ROE is a measure of a company's profitability. Depending on how much of these profits the company reinvests or "retains", and how effectively it does so, we are then able to assess a company’s earnings growth potential. Assuming all else is equal, companies that have both a higher return on equity and higher profit retention are usually the ones that have a higher growth rate when compared to companies that don't have the same features.

Syarikat Takaful Malaysia Keluarga Berhad's Earnings Growth And 24% ROE
To start with, Syarikat Takaful Malaysia Keluarga Berhad's ROE looks acceptable. Especially when compared to the industry average of 7.4% the company's ROE looks pretty impressive. This probably laid the ground for Syarikat Takaful Malaysia Keluarga Berhad's significant 20% net income growth seen over the past five years. We believe that there might also be other aspects that are positively influencing the company's earnings growth. Such as - high earnings retention or an efficient management in place.

As a next step, we compared Syarikat Takaful Malaysia Keluarga Berhad's net income growth with the industry, and pleasingly, we found that the growth seen by the company is higher than the average industry growth of 5.4%.



past-earnings-growth
KLSE:TAKAFUL Past Earnings Growth May 13th 2021

Earnings growth is an important metric to consider when valuing a stock. It’s important for an investor to know whether the market has priced in the company's expected earnings growth (or decline). This then helps them determine if the stock is placed for a bright or bleak future.

Is Syarikat Takaful Malaysia Keluarga Berhad Making Efficient Use Of Its Profits?

Syarikat Takaful Malaysia Keluarga Berhad's three-year median payout ratio is a pretty moderate 43%, meaning the company retains 57% of its income. This suggests that its dividend is well covered, and given the high growth we discussed above, it looks like Syarikat Takaful Malaysia Keluarga Berhad is reinvesting its earnings efficiently.

Besides, Syarikat Takaful Malaysia Keluarga Berhad has been paying dividends for at least ten years or more. This shows that the company is committed to sharing profits with its shareholders. Our latest analyst data shows that the future payout ratio of the company over the next three years is expected to be approximately 48%. Therefore, the company's future ROE is also not expected to change by much with analysts predicting an ROE of 21%.

Conclusion

Overall, we are quite pleased with Syarikat Takaful Malaysia Keluarga Berhad's performance. Particularly, we like that the company is reinvesting heavily into its business, and at a high rate of return. Unsurprisingly, this has led to an impressive earnings growth. Having said that, the company's earnings growth is expected to slow down, as forecasted in the current analyst estimates.