

Publication	Simply Wall St	Section / Page	Online	Date	17 February 2021
Headline	STMKB (KLSE:TAKAFUL) Shareholders Booked A 36% Gain In The Last Three Years				

Syarikat Takaful Malaysia Keluarga Berhad (KLSE:TAKAFUL) shareholders might be concerned after seeing the share price drop 13% in the last quarter. But that shouldn't obscure the pleasing returns achieved by shareholders over the last three years. In fact, the company's share price bested the return of its market index in that time, posting a gain of 36%.

To paraphrase Benjamin Graham: Over the short term the market is a voting machine, but over the long term it's a weighing machine. One imperfect but simple way to consider how the market perception of a company has shifted is to compare the change in the earnings per share (EPS) with the share price movement.

During three years of share price growth, Syarikat Takaful Malaysia Keluarga Berhad achieved compound earnings per share growth of 21% per year. The average annual share price increase of 11% is actually lower than the EPS growth. Therefore, it seems the market has moderated its expectations for growth, somewhat. We'd venture the lowish P/E ratio of 10.77 also reflects the negative sentiment around the stock.

You can see how EPS has changed over time in the image below.



KLSE:TAKAFUL Earnings Per Share Growth February 16th 2021

What About Dividends?

It is important to consider the total shareholder return, as well as the share price return, for any given stock. The TSR is a return calculation that accounts for the value of cash dividends (assuming that any dividend received was reinvested) and the calculated value of any discounted capital raisings and spin-offs. It's fair to say that the TSR gives a more complete picture for stocks that pay a dividend. We note that for Syarikat Takaful Malaysia Keluarga Berhad the TSR over the last 3 years was 50%, which is better than the share price return mentioned above. And there's no prize for guessing that the dividend payments largely explain the divergence!

A Different Perspective

Investors in Syarikat Takaful Malaysia Keluarga Berhad had a tough year, with a total loss of 11% (including dividends), against a market gain of about 9.5%. However, keep in mind that even the best stocks will sometimes underperform the market over a twelve month period. Longer term investors wouldn't be so upset, since they would have made 6%, each year, over five years. If the fundamental data continues to indicate long term sustainable growth, the current sell-off could be an opportunity worth considering. It's always interesting to track share price performance over the longer term. But to understand Syarikat Takaful Malaysia Keluarga Berhad better, we need to consider many other factors. For instance, we've identified 2 warning signs for Syarikat Takaful Malaysia Keluarga Berhad (1 is significant) that you should be aware of.

Please note, the market returns quoted in this article reflect the market weighted average returns of stocks that currently trade on MY exchanges.

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