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Headline	Syarikat Takaful Up 6% On Firm 4Q Earnings, Positive Outlook				

KUALA LUMPUR (Feb 24): Shares in Syarikat Takaful Malaysia Keluarga Bhd (STMKB) reached a nearly one-and-a-half-month high this morning on the back of better results in its latest financial quarter.

The takaful provider was second on Bursa Malaysia's top value gainers list this morning. At 10:09am, the stock was up by 6.42% or 28 sen at RM4.64, yielding a market capitalisation of RM3.86 billion. In terms of trading volume, the counter saw 575,300 shares done.

As it currently stands, the counter is trading at nearly one-and-half-month high. Since Jan 5, the stock had declined by 3.9% from RM4.84.

It is worth noting that the takaful provider has been on the recovery path this month, rising from RM4.31 on Feb 3.

Still, its current share price is below its one-year high of RM5.09.

STMKB's fourth quarter net profit rose 37.34% to RM103.15 million from RM75.11 million a year earlier, mainly due to savings from management expenses and release of expense reserve.

Earnings per share (EPS) for the quarter ended Dec 31, 2020 (4QFY20) increased to 12.42 sen from 9.08 sen previously, according to the group's filing with Bursa Malaysia.

Quarterly revenue slipped slightly to RM774.94 million from RM779.91 million a year ago.

Analysts in general reacted to the group's 4QFY20 financial results by raising their earnings forecasts for the company as well as their target prices (TPs) on the counter.

In a note to clients, CGS-CIMB Research noted that STMKB's FY20 net profit was above its own and Bloomberg consensus forecasts by 12% and 9% respectively.

The research house added that it was raising its FY21 to FY22 EPS forecasts by 16% and 17% respectively to reflect a 7% and 8% respective cut in its forecasts on its management expenses, resulting in its dividend discount model (DDM) based TP increasing to RM5.80, from RM5.06.

It also upgraded STMKB to an "add" call, from "hold" previously, on a protracted recovery in net profit growth in FY21, which could serve as a rerating factor, the current attractive valuation of FY22 price to earnings (PE) ratio of 8.8 times versus the five-year historical average PE ratio of 111.7 times, its enticing dividend yield of 4.9% and the better-than-expected 4QFY20 results.

"We also like STMKB for its strong ROEs of 20-24% for FY21-23F, which would be one of the highest in Malaysia's financial services sector, in our estimate," it noted.

CGS-CIMB Research's FY21 and FY22 core EPS forecasts are 47 sen and 50 sen respectively.

Meanwhile, Kenanga Research also upgraded its FY21 earnings for STMKB by 6% while introducing its FY22 earnings for the takaful provider.

Kenanga is forecasting STMKB to post a core profit after tax and minority interest (PATAMI) of RM377 million in FY21 and RM342 million in FY22.

“Given that consumer sentiment will be boosted by the vaccine roll-out, fiscal measures and prevailing low interest rates, we believe 2021 will see pent-up demand for Family Takaful Fund.

"We expect claims incurred ratio to rise progressively ahead as we expect less lockdowns vis-à-vis CY2020. Moving ahead, growth will be boosted by its online distribution and digital technologies supporting distribution channels. Given the lessons learnt from 2020, we expect the group will continue with innovative strategies via the implementation of its digital strategy, online solutions and digital ecosystem to expand its distribution capabilities and brand awareness,” Kenanga noted.

Kenanga has raised its TP on STMKB to RM6, from RM5.25, based on 2.9 times FY21 price to book value (P/BV). At the same time, it noted that the company has an attractive dividend yield of around 5%. It has maintained its “outperform” call on the stock.

As for RHB Research, it has raised its FY21 to FY22 earnings by 7% while introducing its FY23 earnings forecasts, highlighting that its forecasts do not include any fair value gains and losses from investments. FY21’s year-on-year growth in net profit should be around 5% if FY20’s fair value gains were stripped out. Its current valuation of 2.1 times P/BV suggests that the market has yet to price in the recovery outlook, it added.

“Management is hopeful for a recovery in 2021 after a challenging 2020. The implementation of MCO 2.0, though less stringent, will likely weigh on STMKB’s near-term earnings and an inflection point may come in 2H21. That said, we see 2020 as the worst year for the company, and the vaccine-induced recovery in 2021 should result in better earnings growth. We also expect its dividend payout to normalise to circa 40%,” RHB Research said.

For FY21, FY22 and FY23, RHB Research is forecasting STMKB to make RM363 million, RM387 million and RM411 million in net profit respectively. It has maintained its “buy” call.