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AmInvest Research Reports

Syarikat Takaful Malaysia Keluarga - Inks new bancatakaful agreement with Affin Islamic Bank



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- We maintain our **BUY** call on Syarikat Takaful Malaysia Keluarga (STMK) with an unchanged **fair value of RM3.80/share** pegging the stock to FY23F P/BV of 2.2x supported by ROE of 19.0%.
- No changes to our neutral 3-star ESG rating and our earnings forecast.
- STMK has entered into a new bancatakaful arrangement for 5 years commencing from 1 January 2023 with Affin Islamic Bank (AI). This comes after the expiry of an earlier 5-year bancatakaful agreement with AI in 2022. Under the new agreement, AI has the option to extend for a further 5 years after the end of 2027.
- The new contract will see AI distribute, market and promote a wider spectrum of credit-related, advisory and other family takaful products of Takaful Malaysia Keluarga and general takaful products of Takaful Malaysia Am.
- An upfront one-off bancassurance fee which has not been disclosed in the group's announcement is expected to be paid to AI for the latest bancatakaful arrangement. This amount will be recognised as an intangible asset under the balance sheet of STMK in 1QFY23 and subsequently amortised over a period of 5 years. No material impact is expected on FY23F core earnings of STMK.
- AI will continue to be preferred bancatakaful partner of STMK. Including the recent new bancatakaful agreement of 5 years (1 December 2022 to 31 December 2027) inked with Agro Bank, STMK now has 6 preferred bancatakaful partners (Bank Islam, RHB Islamic, Bank Rakyat, Aeon Credit, AI and Agro Bank)
- Bank Rakyat (BR) has been a preferred bancatakaful partner of STMK since July 2018 and the 5-year banca arrangement with the bank will be expiring in 2023. This is likely to see another new bancatakaful agreement to be executed this year.
- The stock is trading at 2.1x FY23F P/BV. Its valuation remains compelling with a superior ROE of 19% for FY23F.