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Headline	Syarikat Takaful M'sia Keluarga Topline Drive to Stay Despite Enduring High Claims		

- **Keep BUY and MYR4.00 TP, 15% upside and 5% yield.** Syarikat Takaful Malaysia Keluarga's 4Q22 net profit of MYR75m (-52% YoY, -14% QoQ) brought full-year earnings to MYR319m (-23% YoY), matching our and consensus estimates. Though claims are expected to remain elevated, strong momentum in the topline along with a bashed-down valuation give us reasons to be upbeat on the counter.
- **FY22 within expectations.** FY22 net earnings of MYR319m (-23% YoY) met our and Street forecasts. The YoY decline was mainly attributable to a higher effective tax rate due to the imposition of Cukai Makmur and new taxes on *wakalah*-related income – PBT of MYR500m was a 14% YoY increase. Group gross earned contributions (GEC) grew 16% YoY on double-digit growth from both family and general businesses, though this was mitigated by higher claims (+24% YoY), as expected.
- **Family *takaful* results.** STMB's family business recorded its highest ever GEC since listing of MYR2bn (+15% YoY) on the back of stronger mortgage and personal financing *takaful* sales. In line with industry trends, net claims surged 23% YoY, but were partly cushioned by greater investment income (+9% YoY). Overall, the combined ratio rose to 7ppts YoY to 84.9%, bringing segment surplus of MYR564m (-21% YoY).
- **General *takaful* results.** Segmental GEC grew a strong 17% YoY to MYR1bn in FY22, driven by greater fire and motor sales. Net claims rose 29% YoY post-reopening of the full economy – the claims ratio gained 8ppts to 51.4% as a result. The combined ratio for the full year stood at 107.7% (FY21: 93.0%, *takaful* industry FY22: 102.4%), leading to a segmental deficit of MYR7m (FY21: surplus of MYR60m).
- **Outlook.** Management expects claims to remain elevated as the economy readjusts to a post-pandemic world. Regardless, STMB will continue to leverage on its numerous *bancatakaful* partners to drive sales of credit-related family *takaful* products, which are high margin in nature. Overall, we expect the group to record mid- to high-single digit GEC growth in FY23F on the back of its record-breaking topline performance in FY22, while recovering investment income and moderating marked-to-market losses should reduce the negative bottomline impact from the elevated claims environment.
- **We lower our FY23F-24F by 9-10%** to factor in higher claims, and introduce FY25F in this report. After rolling forward our base year to FY23F, our **TP** is maintained at **MYR4.00**, and includes an ESG premium of 2% as per our in-house proprietary methodology. We continue to like STMB for its strong GEC growth and position as the only listed pure *takaful* player in the market. Its valuation also appears undemanding, as it is currently trading at c.1.3x P/BV, well below -1SD from its 5-year mean.