

Publication	The Edge	Section / Page	37	Date	1 September 2020
Headline	Syarikat Takaful Malaysia Keluarga Berhad				

## Syarikat Takaful Malaysia Keluarga Bhd

Target price: **RM6.00 BUY**



**RHB RESEARCH (AUG 26):** STMK's 1H2020 results beat expectations. Dividend prospects appear intact, with management intending to maintain the payout at about 40%, subject to Bank Negara Malaysia's approval.

We gather that business activities saw meaningful sequential improvements and are mostly back to pre-Covid-19 levels. Mortgage reducing term takaful sales are gaining traction as banks are clearing pre-Movement Control Order backlogs and there is new demand spurred by the Home Ownership Campaign. The "renewed" partnership with RHB is yielding positive results while other bancatakaful partners are ramping up sales momentum. Applications from the Public Sector Home Financing Board are experiencing better sequential performance as well. The potential implementation of the revised wakalah rate (from 40% to 25%) may be a near-term drag to the bottom line but we believe the impact will be manageable. All in, management is targeting a slight decrease to flat y-o-y in FY2020 bottom line.

We revise our earnings by 6% and 2% for FY2020/21 and raise our target price from RM5.40. Our target price values the stock at an FY2021 price-to-book value of 3.1 times versus an average three-year forward ROE of about 24%.