

Publication	New Straits Times	Section / Page	Business	Date	10/8/ 2022
Headline	'Buy' Call On Takaful Malaysia Stays				

RM4 TARGET PRICE

'BUY' CALL ON TAKAFUL MALAYSIA STAYS

Company's H1 results have come in within expectations, says RHB Research

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SYARIKAT Takaful Malaysia Keluarga Bhd's (Takaful Malaysia) results in the first half of its financial year 2022 came in within RHB Investment Bank Bhd's (RHB Research) expectations despite the

higher fair value losses on its investments.

The bank-backed research firm said in a note yesterday Takaful Malaysia's net profit of RM156.4 million in the first half made up 48 per cent of its and the street's full-year estimates.

Takaful Malaysia's gross earned contributions (GEC) grew 13.6 per cent year-on-year, while

the main drag on the total numbers stemmed from weakness in the equity markets.

"But given the expectation of a mild rebound in the equity and fixed income markets in the second half, we deem the overall results to be in line with our expectations."

RHB Research said the company's GEC growth in the first half surpassed the management's previous guidance of high-single-digit growth for the family and general takaful segments.

It said Takaful Malaysia's ex-

pansion into the retail and regular contribution markets would be a key focus area in adding to the latter's already solid single-contribution offerings.

"Concerns about MFRS 17 (the new accounting standard for insurance contracts) adoption have been largely priced in, which explains the weakness in its share price in the past year. That said, its strong fundamentals should bode well for the company as we edge closer to the MFRS 17 adoption date of Jan 1 next year."

RHB Research has slightly

tweaked its financial years 2022 to 2024 forecasts for Takaful Malaysia as it factors in the latest financials.

The research firm said it had not imputed MFRS 17-related revisions into its overall projections at this juncture, but Takaful Malaysia's management had guided for a 15 to 20 per cent downward adjustment in its financial year 2023 net profit.

"We maintain our 'buy' rating on the stock with a lower target price of RM4 from RM4.40 previously," it added.