

Publication	The Star	Section/Page No.	Starbiz/Pg 10
Date	Wednesday, 30 March 2022	Lead Article	
Headline	Gem of a Takaful Player – STMB Shines with Strong Return on Equity Factor		

Gem of a takaful player

STMB shines with strong return on equity factor

PETALING JAYA: Syarikat Takaful Malaysia Bhd (STMB) offers investors a good opportunity, especially for a long-term play in the takaful industry.

Hong Leong Investment Bank (HLIB) Research has reiterated its “buy” call on the stock with a target price of RM4.40 per share.

This is based on its 1.8 times financial year 2022 (FY22) price-to-book ratio with assumptions of 17% return on equity (ROE), 10.08% cost on equity and 3% long-term growth, the research house said in its latest report.

STMB, one of the leaders in the Islamic insurance industry, has strong ROE output, according to the research house.

“We reckon that most short-term negatives surrounding the stock would have been priced in. Thus, we believe this is a good opportunity for investors to accumulate it,” it added.

HLIB Research said the group is

“We reckon that most short-term negatives surrounding the stock would have been priced in.”

Hong Leong Investment Bank Research

cautiously optimistic on its outlook.

STMB expects gross earned contribution (GEC) in FY22 to expand by a high single-digit.

“The transition to the Malaysian Financial Reporting Standards 17 (MFRS 17) may see profit falling 15% to 20%.

“However, the ROE is rising due to the retained profit reclassification to contractual service margins liability,” HLIB Research pointed out.

For bancassurance, which makes up 60% of the family GEC, it said

Bank Islam is still a preferred partner and business is as usual even after decoupling from the holding company.

STMB will continue to leverage on its strong Lembaga Pembiayaan Perumahan Awam franchise, which is 25% of family GEC.

The company has the intention to attract more corporate customers to grow its employee benefit business which is 15% of family GEC.

As for the general GEC, STMB will tap into its online sales portal to boost growth and increase its fire

takaful production.

HLIB Research said: “Overall, we continue to be nonchalant about the adoption of the MFRS 17, which is typically frowned upon by the investment fraternity; the new accounting standard does not alter the business nature and cash flow of single-contribution products.”

Other key updates include claims which should be inching up, since many patients are beginning to seek medical treatment after postponing it at the height of Covid-19 pandemic.

The reopening of the country’s economy will see more drivers on the road, leading to higher motor claims. STMB will focus on growing its regular contribution business which makes up only 10% of total GEC.

The research house said: “While STMB’s Indonesian arm will continue to take a backseat, the moves are viewed positively.”