

Allianz Malaysia Berhad

(1163 | ALLZ MK) Financial Services | Finance

1QFY24 Results: Bolstered by Strong Investment Income

KEY INVESTMENT HIGHLIGHTS

- 3MFY24's Core NP of RM190m was *Within/Within* our/street forecasts: **25%/25%** of full-year forecasts
- Core themes: (a) Excellent investment returns, (b) Mediocre General result, (c) Strong Life result
- Forecasts unchanged
- **Maintain BUY | Revised TP of RM25.76 | based on SOTP using (1) FY25F P/BV of 1.7x, (2) FY25F P/EV of 1.0x**

Maintain BUY
Revised Target Price: RM25.76
(Previously RM23.37)

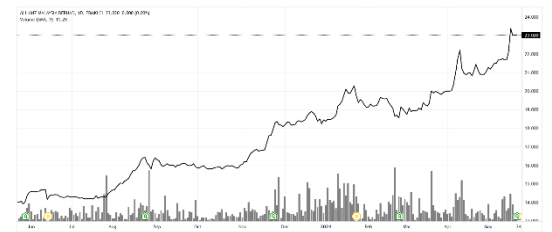
RETURN STATISTICS

Price @ 23 May 2024 (RM)	23.02
Expected share price return (%)	+11.9
Expected dividend yield (%)	+6.5
Expected total return (%)	+18.4

Verdict: Solid dividend yields, while fundamentally strong and well-equipped to handle future challenges.

Yays	Nays	OKs
<ol style="list-style-type: none"> 1. Industry leading position offers edge in competitive insurance space. 2. Excellent dividend yields of 6-7%. 3. Great growth prospects: ROE recovery, while General GWP and Life ANP growth constantly outperform rest of industry. 4. Regional development centre set to aid digitisation process. 	<ol style="list-style-type: none"> 1. Insurance space remains highly competitive. 2. Expect elevated short-term spending in near term to improve digital transition and agency force. 	<ol style="list-style-type: none"> 1. Sustainability of investment return windfall is uncertain.

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	10.5	5.0
3 months	15.1	14.3
12 months	64.3	44.2

Results in a nutshell:

▲ **1QFY24's Core net profit (NP) of RM190m up by +7%oyoy.** Largely due to the impressive investment return result and lower OPEX, which offset higher net insurance finance expenses. The insurance service result was rather flattish. Although the General segment saw some PBT decline, it was offset by exceptional Life segment results.

▼ **1QFY24's Core NP of RM190m down by -2%qoq.** Although this quarter's insurance result, OPEX and investment return was far stronger, net insurance finance expenses fell short.

Forecasts unchanged. Our earnings forecasts remain unchanged. However, we incorporate the effect of ICPS dividends into our forecasts, reducing our FY24-26 shareholders' equity forecast by a small margin.

Key downside risks. (1) *Economic slowdown lowers growth*, (2) *Higher-than-expected claims*, (3) *Poor investment returns*.

Maintain BUY call: Revised SOTP-TP of RM 25.76 (from RM23.37).

- (1) For General, we use an FY25F P/BV of 1.7x. (*formerly 1.3x*). We increase the P/BV to 1.7x, to reflect the improved sentiment on the insurance sector's prospects – premised on a recovery in GWP/ANP growth and the recent windfall seen in investment returns. This is still well within the 1.4-2.0x P/BV range of recent M&A transactions involving domestic players.
- (2) For Life, we use an unchanged FY25F P/EV of 1.0x.

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	767	805	847
CNP growth (%)	5	5	5
Div yield (%)	6.2	6.5	6.8
Gross DPS (sen)	142.1	149.3	157.1
P/BV (x)	1.5	1.4	1.4
BVPS (RM)	15.5	16.2	16.9
ROE (%)	14.6	14.7	14.8
MIDF/Street CNP (%)	103	103	103

KEY STATISTICS

FBM KLCI	1,629.18
Issue shares (m)	178.0
Estimated free float (%)	17.0
Market Capitalisation (RM'm)	4,093.3
52-wk price range	RM13.8 - RM23.6
3-mth avg daily volume (m)	0.0
3-mth avg daily value (RM'm)	1.0
Top Shareholders (%)	
Allianz SE	64.8
EPF Board	6.7
KWPD	3.3

Analyst

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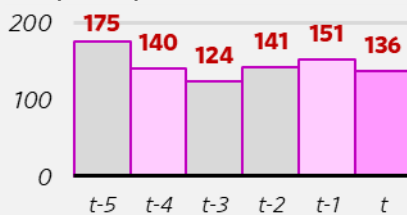
Fig 1: SOTP Valuation

Companies	Equity Value (RM mil)	Equity Value basis	Multiple (X)	Valuation basis	Valuation (RM mil)
AGIC	3,139	1x FY25F P/BV	1.7	P/BV	5,336
ALIM	3,581	1x FY25F CSM	1.0	P/EV	3,581
Total sum-of-parts					8,917
(÷) Diluted ALLZ Share Base (mil)					346
Fair value (RM)					25.76

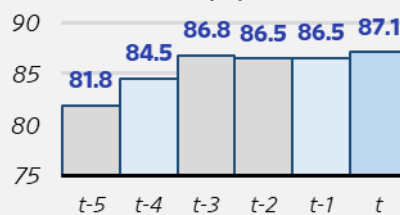
Source: Allianz MY, MIDFR

1. General Overall: ► **Mediocre** | Qtr: -10%qoq, -2%yoy | Cum: -2%yoy

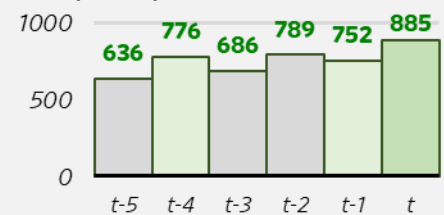
PBT (RM m)



Combined Ratio (%)



GWP (RM m)

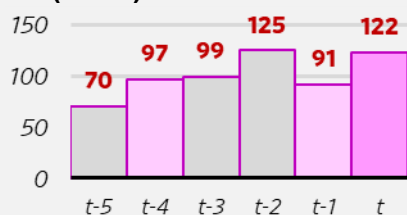


Commentary: PBT was largely due to a weaker insurance service result – stronger insurance revenue was offset by higher insurance expenses.

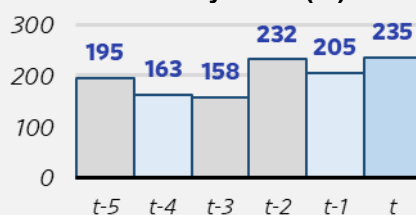
Combined ratio: Rose largely due to a higher claims ratio. Both reinsurance and expense ratios were on the lower end.

2. Life Overall: ▲ **Strong** | Qtr: +34%qoq, +27%yoy | Cum: +27%yoy

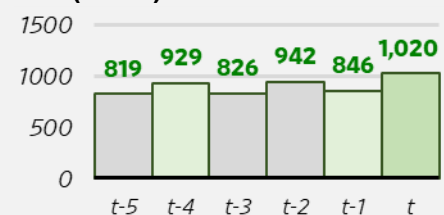
PBT (RM m)



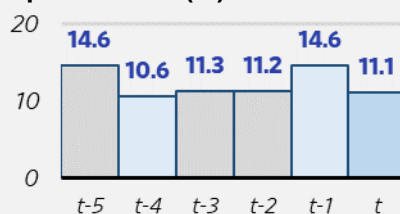
Block Persistency Ratio (%)



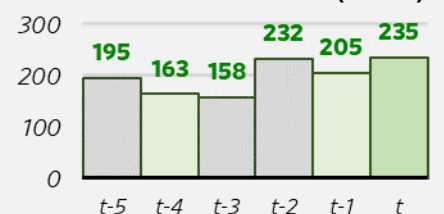
GWP (RM m)



Expense Ratio (%)

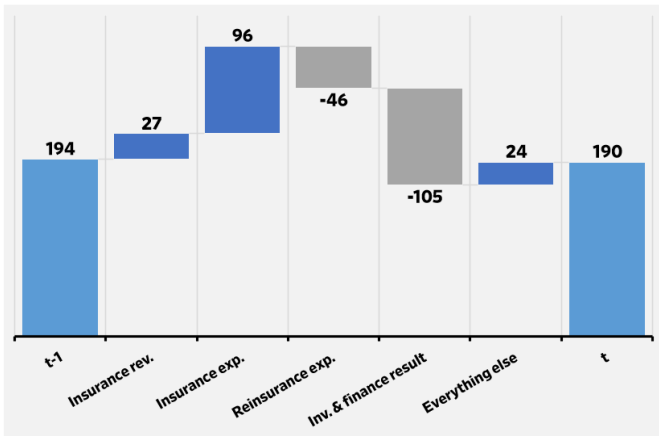


Annualised New Premium (RM m)



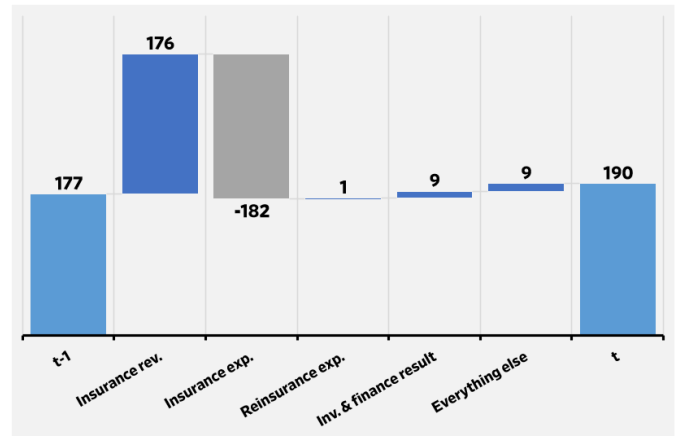
Commentary: PBT was strong this quarter. Although net insurance finance expenses were unusually high, this was offset by exceptional investment returns and a solid insurance service result.

Fig 2: QoQ P/L walk (Quarterly results)



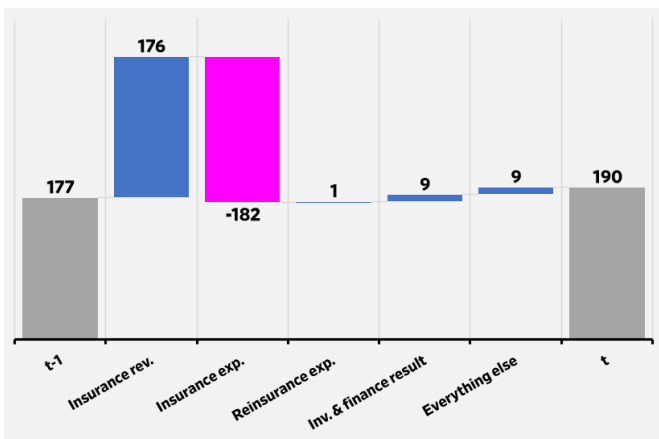
Source: Allianz MY, MIDFR

Fig 3: YoY P/L walk (Quarterly results)



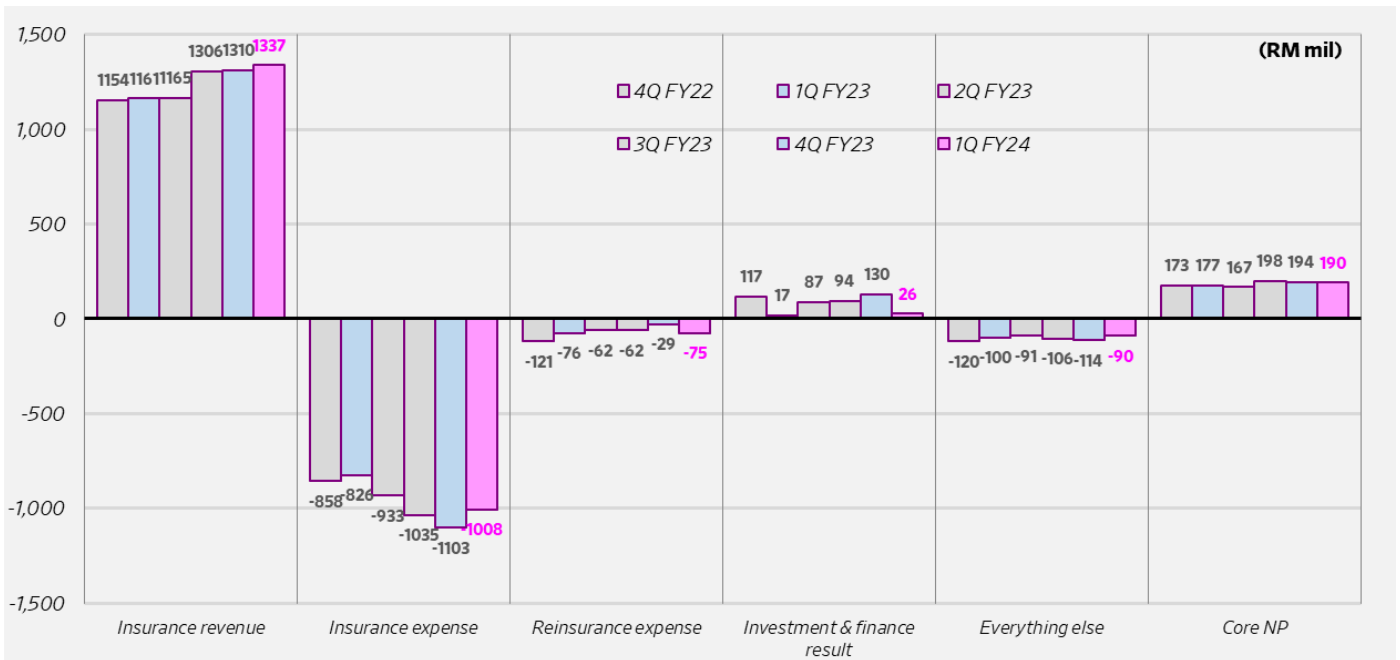
Source: Allianz MY, MIDFR

Fig 4: YoY P/L walk (Cumulative results)



Source: Allianz MY, MIDFR

Fig 5: QoQ P/L walk (Multiple Quarters)



Source: Allianz MY, MIDFR

Fig 6: Quarterly results

FYE Dec (RM m)	1Q FY24	4Q FY23	1Q FY23	Yoy (%)	Qoq (%)	3M FY24	3M FY23	Yoy (%)
Insurance revenue	1,337	1,310	1,161	15	2	1,337	1,161	15
Insurance expenses	(1,008)	(1,103)	(826)	22	-9	(1,008)	(826)	22
<i>Claims</i>	<i>(684)</i>	<i>(776)</i>	<i>(543)</i>	26	-12	<i>(684)</i>	<i>(543)</i>	26
<i>Acquisitions & Admin exp</i>	<i>(320)</i>	<i>(332)</i>	<i>(268)</i>	19	-4	<i>(320)</i>	<i>(268)</i>	19
<i>Onerous contracts</i>	<i>(4)</i>	<i>5</i>	<i>(15)</i>	-75	-172	<i>(4)</i>	<i>(15)</i>	-75
Reinsurance	(75)	(29)	(76)	-1	162	(75)	(76)	-1
Insurance service result	254	178	260	-2	43	254	260	-2
Investment return	524	367	275	91	43	524	275	91
Net insurance finance exp	(499)	(237)	(258)	93	111	(499)	(258)	93
Net ins & inv result	280	133	129	117	111	280	276	1
Other income/OPEX	(29)	(69)	(40)	-27	-58	(29)	(40)	-27
Associates	-	-	-	n.m.	n.m.	-	-	n.m.
PBT	251	239	236	6	5	251	236	6
Tax	(61)	(46)	(60)	3	34	(61)	(60)	3
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	190	194	177	7	-2	190	177	7
Core NP	190	194	177	7	-2	190	177	7
Gross DPS (sen)	26.5	69.0	31.5	n.m.	n.m.	26.5	31.5	n.m.
Core EPS (sen)	54.8	55.9	51.0	7	-2	54.8	51.0	7

Ratios (%)	1Q FY24	4Q FY23	1Q FY23	Yoy (ppts)	Qoq (ppts)	3M FY24	3M FY23	Yoy (ppts)
ROE (Ann.)	14.2	15.1	14.4	-0.1	-0.8	14.2	14.4	-0.1
Underwriting margin	19.0	13.6	22.4	-3.3	5.5	19.0	22.4	-3.3
Combined	83.1	91.7	81.1	2.1	-8.5	83.1	81.1	2.1
Claims	51.5	58.9	48.0	3.4	-7.4	51.5	48.0	3.4
Reinsurance	5.6	2.2	6.5	-0.9	3.4	5.6	6.5	-0.9
Expense	26.1	30.6	26.6	-0.5	-4.5	26.1	26.6	-0.5

Source: Allianz MY, MIDFR

Fig 7: Quarterly results (General)

FYE Dec (RM m)	1Q FY24	4Q FY23	1Q FY23	Yoy (%)	Qoq (%)	3M FY24	3M FY23	Yoy (%)
Insurance revenue	759	739	661	15	3	759	661	15
Insurance expenses	(591)	(561)	(453)	30	5	(591)	(453)	30
<i>Claims</i>	<i>(413)</i>	<i>(386)</i>	<i>(294)</i>	<i>40</i>	<i>7</i>	<i>(413)</i>	<i>(294)</i>	<i>40</i>
<i>Acquisitions & Admin exp</i>	<i>(176)</i>	<i>(179)</i>	<i>(152)</i>	<i>16</i>	<i>-2</i>	<i>(176)</i>	<i>(152)</i>	<i>16</i>
<i>Onerous contracts</i>	<i>(2)</i>	<i>4</i>	<i>(7)</i>	<i>-72</i>	<i>-153</i>	<i>(2)</i>	<i>(7)</i>	<i>-72</i>
Reinsurance	(60)	(55)	(91)	-35	9	(60)	(91)	-35
Insurance service result	108	123	117	-8	-12	108	117	-8
Investment return	60	59	54	10	1	60	54	10
Net insurance finance exp	(22)	(8)	(17)	25	187	(22)	(17)	25
Net ins & inv result	146	174	154	-5	-16	146	154	-5
Other income	0	0	-	n.m.	n.m.	0	-	n.m.
Other OPEX	(10)	(23)	(14)	-28	-55	(10)	(14)	-28
PBT	136	151	140	-2	-10	136	140	-2

Ratios (%)	1Q FY24	4Q FY23	1Q FY23	Yoy (ppts)	Qoq (ppts)	3M FY24	3M FY23	Yoy (ppts)
Underwriting margin	14.3	16.6	17.7	-3.4	-2.4	14.3	17.7	-3.4
Combined	87.1	86.5	84.5	2.6	0.6	87.1	84.5	2.6
Claims	54.7	51.7	45.6	9.1	3.0	54.7	45.6	9.1
Reinsurance	7.9	7.4	13.8	-5.9	0.4	7.9	13.8	-5.9
Expense	24.5	27.4	25.1	-0.6	-2.9	24.5	25.1	-0.6

Source: Allianz MY, MIDFR

Fig 8: Quarterly results (Life)

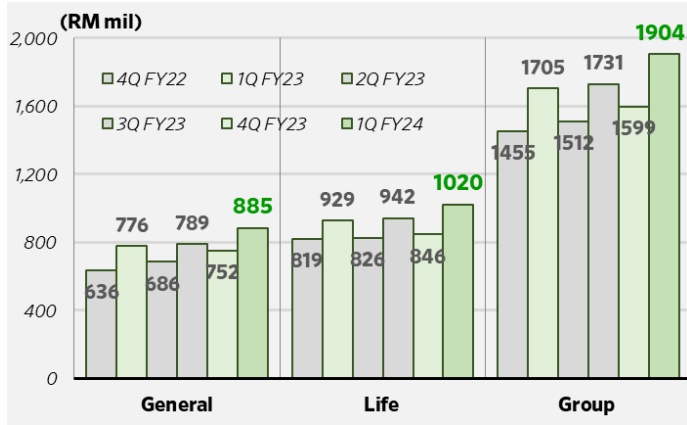
FYE Dec (RM m)	1Q FY24	4Q FY23	1Q FY23	Yoy (%)	Qoq (%)	3M FY24	3M FY23	Yoy (%)
Insurance revenue	582	571	500	16	2	582	500	16
Insurance expenses	(417)	(542)	(373)	12	-23	(417)	(373)	12
<i>Claims</i>	<i>(271)</i>	<i>(391)</i>	<i>(249)</i>	<i>9</i>	<i>-31</i>	<i>(271)</i>	<i>(249)</i>	<i>9</i>
<i>Acquisitions & Admin exp</i>	<i>(144)</i>	<i>(153)</i>	<i>(117)</i>	<i>23</i>	<i>-6</i>	<i>(144)</i>	<i>(117)</i>	<i>23</i>
<i>Onerous contracts</i>	<i>(2)</i>	<i>1</i>	<i>(7)</i>	<i>-78</i>	<i>-239</i>	<i>(2)</i>	<i>(7)</i>	<i>-78</i>
Reinsurance	(15)	26	16	-199	-159	(15)	16	-199
Insurance service result	150	55	143	5	173	150	143	5
Investment return	461	305	214	116	51	461	214	116
Net insurance finance exp	(477)	(229)	(241)	98	108	(477)	(241)	98
Net ins & inv result	134	131	115	16	3	134	115	16
Other income	11	0	0	n.m.	n.m.	11	0	n.m.
Other OPEX	(23)	(40)	(19)	21	-42	(23)	(19)	21
PBT	122	91	97	27	34	122	97	27

Ratios (%)	1Q FY24	4Q FY23	1Q FY23	Yoy (ppts)	Qoq (ppts)	3M FY24	3M FY23	Yoy (ppts)
Block persistency	82.9	83.4	85.4	-2.5	-0.5	11.1	10.6	0.5
Underwriting margin	25.8	9.6	28.5	-2.7	16.2	25.8	28.5	-2.7
Combined	76.2	97.3	75.2	1.0	-21.1	76.2	75.2	1.0
Claims	46.9	68.2	51.2	-4.3	-21.3	46.9	51.2	-4.3
Reinsurance	2.6	(4.6)	(3.1)	5.7	7.2	2.6	(3.1)	5.7
Expense	26.7	33.7	27.1	-0.4	-7.0	26.7	27.1	-0.4

Source: Allianz MY, MIDFR

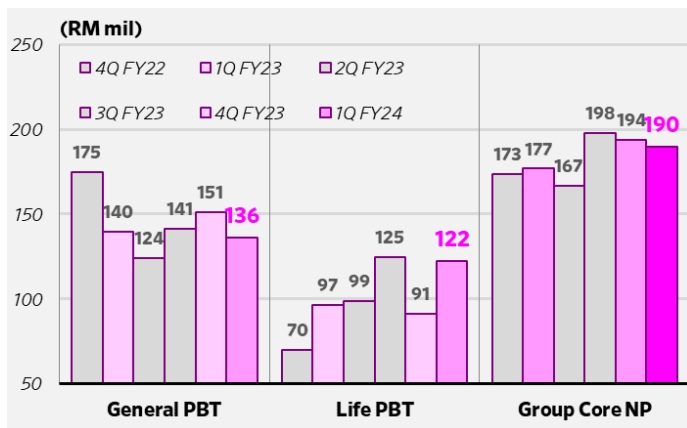
SEGMENTAL BREAKDOWN

Fig 9: GWP by Segment (Quarterly)



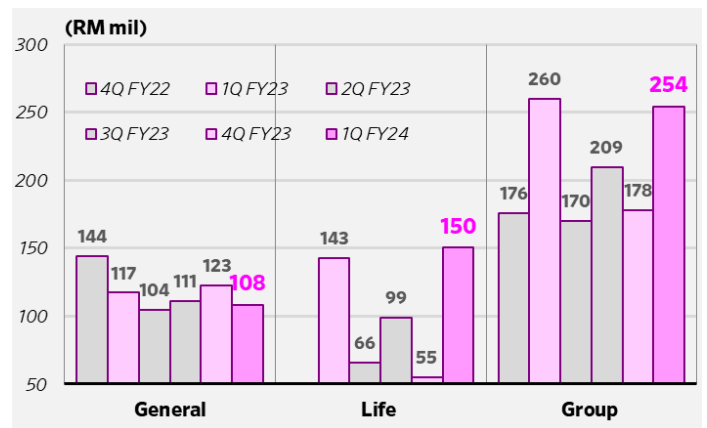
Source: Allianz MY, MIDFR

Fig 10: PBT by Segment, with Group Core NP



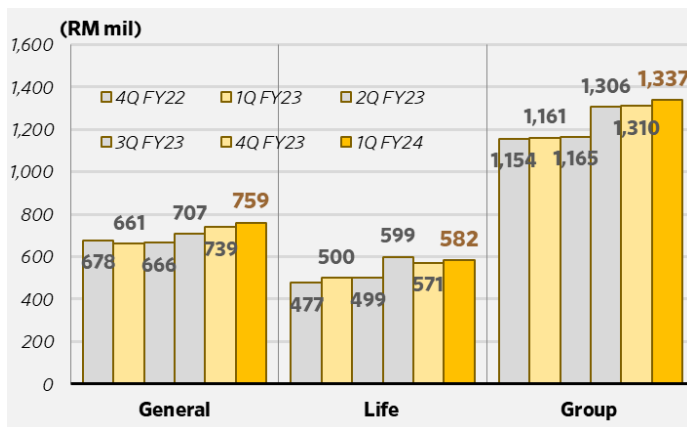
Source: Allianz MY, MIDFR

Fig 11: Insurance Service Result by Segment



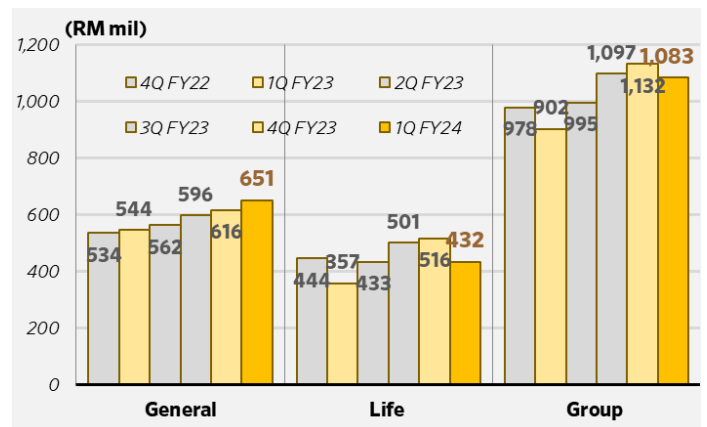
Source: Allianz MY, MIDFR

Fig 12: Insurance Revenue by Segment (Quarterly)



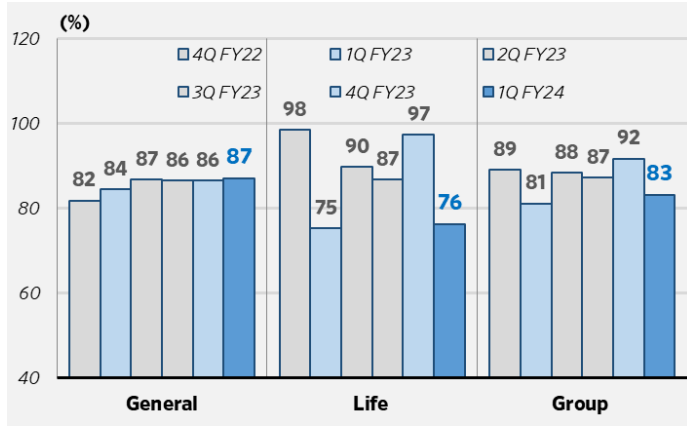
Source: Allianz MY, MIDFR

Fig 13: Insurance & Reinsurance Expenses by Segment (Quarterly)



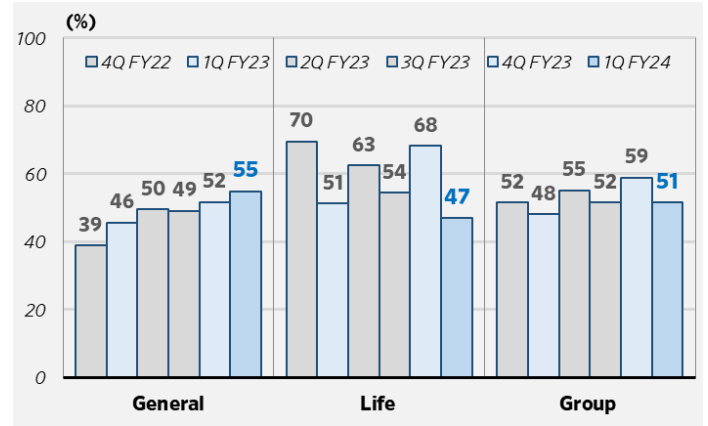
Source: Allianz MY, MIDFR

Fig 14: Combined Ratio by Segment (Quarterly)



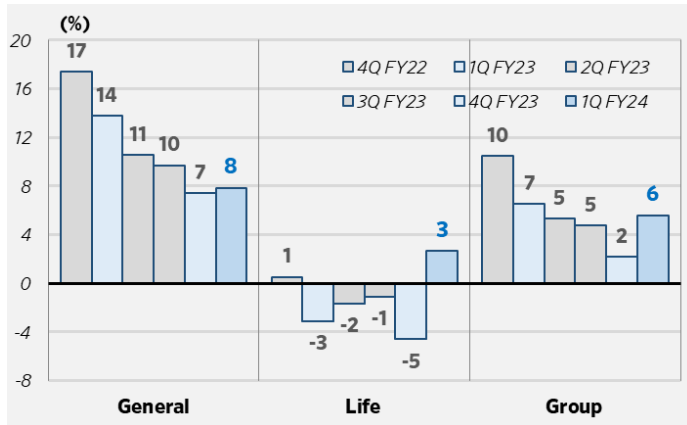
Source: Allianz MY, MIDFR

Fig 15: Claims Ratio by Segment (Quarterly)



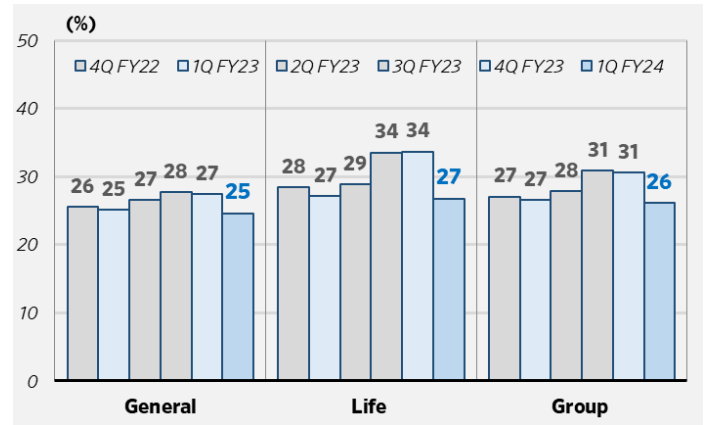
Source: Allianz MY, MIDFR

Fig 16: Reinsurance Ratio by Segment (Quarterly)



Source: Allianz MY, MIDFR

Fig 17: Expense Ratio by Segment (Quarterly)



Source: Allianz MY, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Insurance revenue	4,419	4,942	5,110	5,524	5,975
Insurance service expenses	(3,348)	(3,897)	(3,954)	(4,269)	(4,611)
Reinsurance expense	(277)	(229)	(381)	(419)	(461)
Insurance service result	794	817	775	837	904
Investment return	621	1,142	922	943	964
Net finance result	(369)	(832)	(579)	(607)	(636)
Total ins, inv & financial result	1,046	1,126	1,118	1,172	1,231
Other income	1	1	-	-	-
Other OPEX	(174)	(170)	(38)	(38)	(38)
Associates	-	-	-	-	-
PBT	874	957	1,080	1,134	1,193
Tax	(260)	(226)	(313)	(329)	(346)
NCI	-	-	-	-	-
Reported NP	614	731	767	805	847
Core NP	614	731	767	805	847

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	2,259	1,562	1,562	1,562	1,562
Investment securities	20,329	23,052	24,205	25,415	26,686
Other assets	1,401	1,308	1,310	1,439	1,596
Total assets	23,990	25,922	27,076	28,416	29,843
Insurance contracts	18,012	19,316	20,282	21,296	22,361
Other liabilities	1,301	1,465	1,427	1,515	1,627
Total liabilities	19,313	20,781	21,709	22,810	23,988
Share capital	236	236	236	236	236
Reserves	3,906	4,370	4,596	4,834	5,085
Total equity	4,677	5,141	5,367	5,605	5,856
Total L&E	23,990	25,922	27,076	28,416	29,843

Source: Allianz MY, MIDFR

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Profitability (%)					
ROE	10.7	11.7	14.6	14.7	14.8
ROA	2.0	3.0	2.9	2.9	2.9
Combined ratio (%)	82.0	83.5	84.8	84.9	84.9
Claims	51.5	53.5	54.0	53.9	53.8
Expenses	24.2	25.3	23.4	23.4	23.4
Reinsurance	6.3	4.6	7.4	7.6	7.7
Growth (%)					
Insurance revenue		11.8	3.4	8.1	8.2
Insurance expense		16.4	1.5	8.0	8.0
Insurance service result		2.9	-5.1	7.9	8.0
Net ins & investment result		7.6	-0.7	4.9	5.0
PBT		9.5	12.8	5.1	5.2
Core NP		19.1	4.9	5.1	5.2
Valuation metrics					
Core EPS (sen)	177.3	211.1	221.4	232.6	244.7
Gross DPS (sen)	85.0	100.5	142.1	149.3	157.1
Div payout (%)	32	33	33	33	33
BVPS (RM)	13.5	14.8	15.5	16.2	16.9
Core P/E (x)	13.0	10.9	10.4	9.9	9.4
Div yield (%)	3.7	4.4	6.2	6.5	6.8
P/BV (x)	1.7	1.6	1.5	1.4	1.4

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to <i>rise</i> by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	Stock price is expected to <i>fall</i> by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology