Corporate Update

Allianz Malaysia Berhad

(1163 | ALLZ MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **BUY**

Revised Target Price **RM21.59** (from RM25.76)

1QFY25 Results Review
Attractive Valuations

Our Verdict	**While a sizeable chunk of ALLZ's portfolio comprises medical premiums, we think the negativity is already reflected in declines in share price. We think near-term economic headwinds may provide downside to fundamentals, but also provide opportunities for market share capture.**
Valuations	**With a +5.0% dividend yield, the current P/BV of 0.56x is inexpensive, trading lower than -1SD of the 5-year P/BV mean of 0.73x.**
Yays	1. Solid dividend yields. 2. Attractive valuations. 3. ALLZ's high persistency ratio and industry-leading status enable its stable market share capture, given that smaller players are more vulnerable to current headwinds.
Nays	1. Medical insurance issues continue to plague the sector. 2. Economic uncertainty could affect near-term growth prospects.

Results in a nutshell:

▲ **3MFY25's Core NP of RM212m was *Within/Within* our/street forecasts: *26%/27%* of full-year forecasts.**

► **No dividend announcement.**

▲ **3MFY25's Core net profit (NP) of RM212m up by +12%yoy.** This was largely due to the vast increase in insurance revenue offsetting higher insurance expenses and reinsurance costs.

▼ **1QFY25's Core NP of RM212m down by -8%qoq.** This was dragged by poorer investment and finance results, offsetting improvements in overall insurance service results.

▲ **AGIC's 3MFY25's PBT of RM160m up by +21%yoy.** Largely driven by improved insurance revenues offsetting higher insurance expenses and reinsurance costs. Higher investment returns helped.

▲ **AGIC's 1QFY25's PBT of RM160m up by +7%qoq.** Driven by better insurance service results, due to lower reinsurance costs.

RETURN STATISTICS

Price @ 23 May 2025 (RM)	18.80
Expected share price return (%)	+14.8
Expected dividend yield (%)	+5.0
Expected total return (%)	**+19.8**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	7.6	4.5
3 months	3.2	4.4
12 months	-18.0	-13.1

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**805**	**847**	**871**
CNP growth (%)	4	5	3
Div yield (%)	**5.0**	**5.2**	**5.4**
Gross DPS (sen)	93.5	98.4	101.2
P/BV (x)	**1.0**	**1.0**	**0.9**
BVPS (RM)	18.2	19.6	21.0
ROE (%)	**13.3**	**13.0**	**12.5**
% Street CNP (%)	**102**	**104**	**104**

KEY STATISTICS

FBM KLCI	1,535.38
Issue shares (m)	178.7
Estimated free float (%)	19.1
Market Capitalisation (RM'm)	3,412.9
52-wk price range	RM16.5-RM23.2
3-mth average daily volume (m)	0.1
3-mth average daily value (RM'm)	1.0
Top Shareholders (%)	
Allianz SE	63.8
EPF Board	6.6
Kumpulan Wang Persaraan Diperbadan	3.2

Analyst

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▲ **ALIM's 3MFY25's PBT of RM127m up by +4%yoy.** Improved insurance revenues and net insurance finance expenses offset increases in expenses and negative investment return.

▼ **ALIM's 1QFY25's PBT of RM127m up by -10%qoq.** Driven by higher insurance revenues and lower insurance expenses, as well higher net insurance finance expenses.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. (1) Higher-than-expected reinsurance costs, (2) High medical inflation continues, (3) Economic slowdown causes slower premium growth.

Maintain BUY call: Revised SOTP-TP of RM 21.59 ***(from RM25.76)***. This is to reflect our changed valuation methodologies.

1. **For AGIC, we use a FY25F P/BV of 1.4x.** *(formerly 1.6x).* The 1.4x is in line with the 1.4-1.7x range of recent domestic general insurance M&A transactions. We reduced the valuation to account for negative sentiment related to weak economic prospects, which could dampen premium and earnings growth.
2. For ALIM, we pivot to P/CE valuation methodology, where comprehensive equity (CE) represents the sum of ALIM's shareholders' fund and net contractual service margin (Gross CSM less non-attributable costs, reinsurance, and tax). The CE offers a view of insurers' value through the shareholders' fund plus unearned future profit (CSM), and replaces our earlier valuation method based on embedded value (EV, similar to CE), which is no longer disclosed under MFRS17.
   We use an FY25F P/CE of 0.6x, which is at the lower end of peers' 0.6-0.9x range. This is to factor in the overhang on uncertainty surrounding the medical insurance segment (which ALIM has significant exposure to) and possible regulation-related repercussions.

FIG 1: SOTP Valuation

Companies	Equity Value (RM mil)	Equity Value basis	Multiple (X)	Valuation basis	Valuation (RM mil)
AGIC	**3,077**	FY25F P/BV	**1.4**	P/BV	**4,308**
ALIM	**5,248**	FY25F P/CE	**0.6**	P/EV	**3,149**
Total sum-of-parts					**7,456**
(÷) Diluted ALLZ Share Base (mil)					345
Fair value (RM)					**21.59**

Source: Company, MIDFR

FIG 2: Industry M&As: General Insurers

Company	Currency	Comprehensive Equity	Market Cap	P/CE (x)	As at
Great Eastern Holdings	SG mil	14,098	8,851	0.63	Dec-24
AIA Group Limited	USD mil	87,600	78,030	0.89	Dec-24
Prudential Plc	USD mil	36,600	21,130	0.58	Dec-24

Source: Company, MIDFR

FIG 3: Industry M&As: General Insurers

General Insurer	Acquiror	Acquiree	Stake acquired (%)	Transaction (RM m)	Implied P/B (x)
2010	ACE Insurance	Jerneh Insurance	100	454	2.2
2010	MSIG Malaysia	Hong Leong Insurance	100	619	1.3
2010	Fairfax Asia	Pacific Insurance	100	201	1.7
2011	Sompo Japan	Berjaya Sompo	40	496	3.3
2012	AmG Insurance	Kurnia Insurance	100	1,550	2.1
2012	Tokio Marine	MUI Continental	100	180	1.1
2012	Tune Insurance	Oriental Capital	83	153	1.2
2012	Sanlam Ltd	Pacific & Orient	49	270	2.5
2014	Sanlam Ltd	MCIS Zurich	51	388	1.7
2014	Liberty Mutual Insurance	Uni Asia General	68	375	1.1
2015	Generali Asia	Multipurpose Insurance	49	356	2.5
2017	Affin Holdings	AXA Affin General	13	181	1.5
2021	Liberty Insurance	AmGeneral Insurance	51	1,170	1.4
2022	Generali Asia	AXA Affin General	21	765	1.6
2024	Public Bank	LPI Capital	45	1,720	1.7

Source: Companies, MIDFR

FIG 4: Quarterly results

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Insurance revenue	1,529	1,503	1,337	14	2	1,529	1,337	14
Insurance expenses	(1,119)	(1,139)	(1,008)	11	-2	(1,119)	(1,008)	11
Claims	*(774)*	*(782)*	*(684)*	13	-1	*(774)*	*(684)*	13
Acquisitions & Admin exp	*(339)*	*(369)*	*(320)*	6	-8	*(339)*	*(320)*	6
Onerous contracts	*(5)*	*11*	*(4)*	44	-148	*(5)*	*(4)*	44
Reinsurance	(94)	(137)	(75)	26	-31	(94)	(75)	26
Insurance service result	**316**	**227**	**254**	24	39	**316**	**254**	24
Investment return	(113)	322	524	-122	-135	(113)	524	-122
Net insurance finance exp	126	(235)	(499)	-125	-154	126	(499)	-125
Net ins & inv result	**329**	**155**	**139**	137	113	**329**	**280**	17
Other income/OPEX	(45)	(29)	(29)	55	53	(45)	(29)	55
Associates	-	-	-	n.m.	n.m.	-	-	n.m.
PBT	**284**	**285**	**251**	**13**	**-0**	**284**	**251**	**13**
Tax	(72)	(54)	(61)	18	34	(72)	(61)	18
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**212**	**231**	**190**	**12**	**-8**	**212**	**190**	**12**
Core NP	**212**	**231**	**190**	**12**	**-8**	**212**	**190**	**12**
Gross DPS (sen)	**-**	**63.0**	**26.5**	**n.m.**	**n.m.**	**-**	**26.5**	**n.m.**
Core EPS (sen)	61.3	66.8	54.8	12	-8	61.3	54.8	12

Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	Qoq (ppts)	3M FY25	3M FY24	Yoy (ppts)
ROE (Ann.)	**13.9**	**15.8**	**14.2**	**-0.3**	**-1.9**	**13.9**	**14.2**	**-0.3**
Underwriting margin	**20.6**	**15.1**	**19.0**	**1.6**	**5.6**	**20.6**	**19.0**	**1.6**
Combined	**82.3**	**86.9**	**83.1**	**-0.9**	**-4.6**	**82.3**	**83.1**	**-0.9**
Claims	51.0	51.3	51.5	-0.5	-0.3	51.0	51.5	-0.5
Reinsurance	6.2	9.1	5.6	0.5	-2.9	6.2	5.6	0.5
Expense	25.1	26.5	26.1	-0.9	-1.4	25.1	26.1	-0.9

Source: Company, MIDFR

FIG 5: Quarterly results (General)

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Insurance revenue	862	857	755	14	1	862	755	14
Insurance expenses	(652)	(609)	(591)	10	7	(652)	(591)	10
Claims	*(463)*	*(408)*	*(413)*	*12*	*14*	*(463)*	*(413)*	*12*
Acquisitions & Admin exp	*(187)*	*(212)*	*(176)*	*6*	*-12*	*(187)*	*(176)*	*6*
Onerous contracts	*(1)*	*10*	*(2)*	*-31*	*-114*	*(1)*	*(2)*	*-31*
Reinsurance	(79)	(125)	(60)	32	-37	(79)	(60)	32
Insurance service result	**132**	**123**	**104**	*27*	*7*	**132**	**104**	*27*
Investment return	67	67	60	11	-1	67	60	11
Net insurance finance exp	(26)	(10)	(22)	19	160	(26)	(22)	19
Net ins & inv result	**173**	**180**	**142**	*21*	*-4*	**173**	**142**	*21*
Other income	0	2	0	n.m.	n.m.	0	0	n.m.
Other OPEX	(14)	(33)	(10)	32	-58	(14)	(10)	32
PBT	**160**	**150**	**132**	*21*	*7*	**160**	**132**	*21*

Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	Qoq (ppts)	3M FY25	3M FY24	Yoy (ppts)
Underwriting margin	**15.3**	**14.3**	**13.8**	*1.5*	*1.0*	**15.3**	**13.8**	*1.5*
Combined	**86.2**	**89.2**	**87.5**	*-1.3*	*-3.0*	**86.2**	**87.5**	*-1.3*
Claims	53.9	46.3	55.0	-1.1	7.6	53.9	55.0	-1.1
Reinsurance	9.1	14.6	7.9	1.2	-5.5	9.1	7.9	1.2
Expense	23.2	28.3	24.6	-1.4	-5.1	23.2	24.6	-1.4

Source: Company, MIDFR

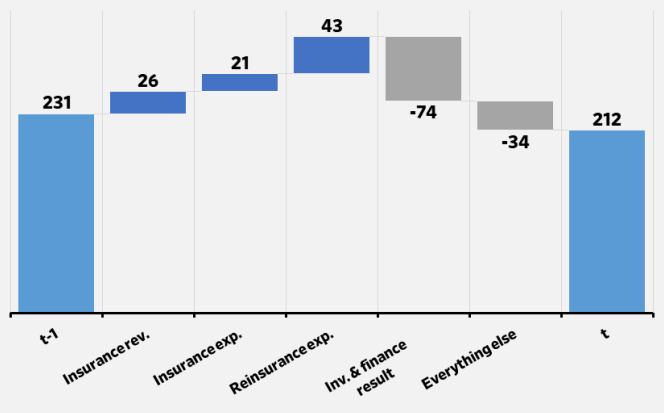
FIG 6: Quarterly results (Life)

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Insurance revenue	666	646	582	14	3	666	582	14
Insurance expenses	(467)	(530)	(417)	12	-12	(467)	(417)	12
Claims	*(311)*	*(374)*	*(271)*	*15*	*-17*	*(311)*	*(271)*	*15*
Acquisitions & Admin exp	*(152)*	*(157)*	*(144)*	*6*	*-3*	*(152)*	*(144)*	*6*
Onerous contracts	*(4)*	*1*	*(2)*	*143*	*<-500*	*(4)*	*(2)*	*143*
Reinsurance	(15)	(12)	(15)	0	32	(15)	(15)	0
Insurance service result	**184**	**104**	**150**	*22*	*77*	**184**	**150**	*22*
Investment return	(184)	248	461	-140	-174	(184)	461	-140
Net insurance finance exp	152	(225)	(477)	-132	-168	152	(477)	-132
Net ins & inv result	**152**	**127**	**134**	*13*	*20*	**152**	**134**	*13*
Other income	0	35	11	n.m.	n.m.	0	11	n.m.
Other OPEX	(25)	(22)	(23)	10	15	(25)	(23)	10
PBT	**127**	**140**	**122**	*4*	*-10*	**127**	**122**	*4*

Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	Qoq (ppts)	3M FY25	3M FY24	Yoy (ppts)
Block persistency	**84.3**	**88.0**	**82.9**	*1.4*	*-3.7*	**22.8**	**11.1**	*11.7*
Underwriting margin	**27.6**	**16.1**	**25.8**	*1.8*	*11.5*	**27.6**	**25.8**	*1.8*
Combined	**76.2**	**81.8**	**76.2**	*-0.1*	*-5.6*	**76.2**	**76.2**	*-0.1*
Claims	47.2	57.8	46.9	0.3	-10.6	47.2	46.9	0.3
Reinsurance	2.3	1.8	2.6	-0.3	0.5	2.3	2.6	-0.3
Expense	26.6	22.2	26.7	-0.1	4.4	26.6	26.7	-0.1

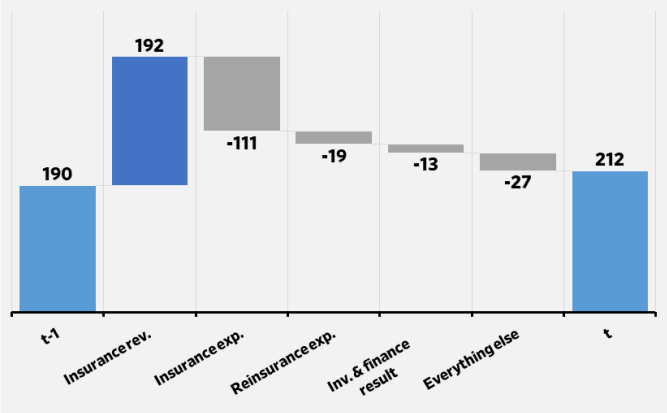
Source: Company, MIDFR

FIG 7: QoQ P/L walk (Quarterly results)



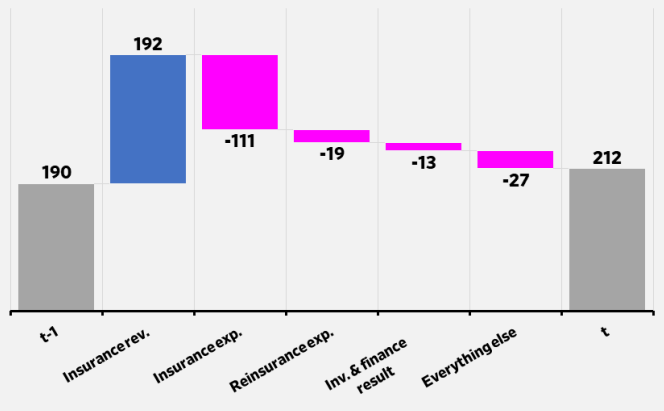
Source: Company, MIDFR

FIG 8: YoY P/L walk (Quarterly results)



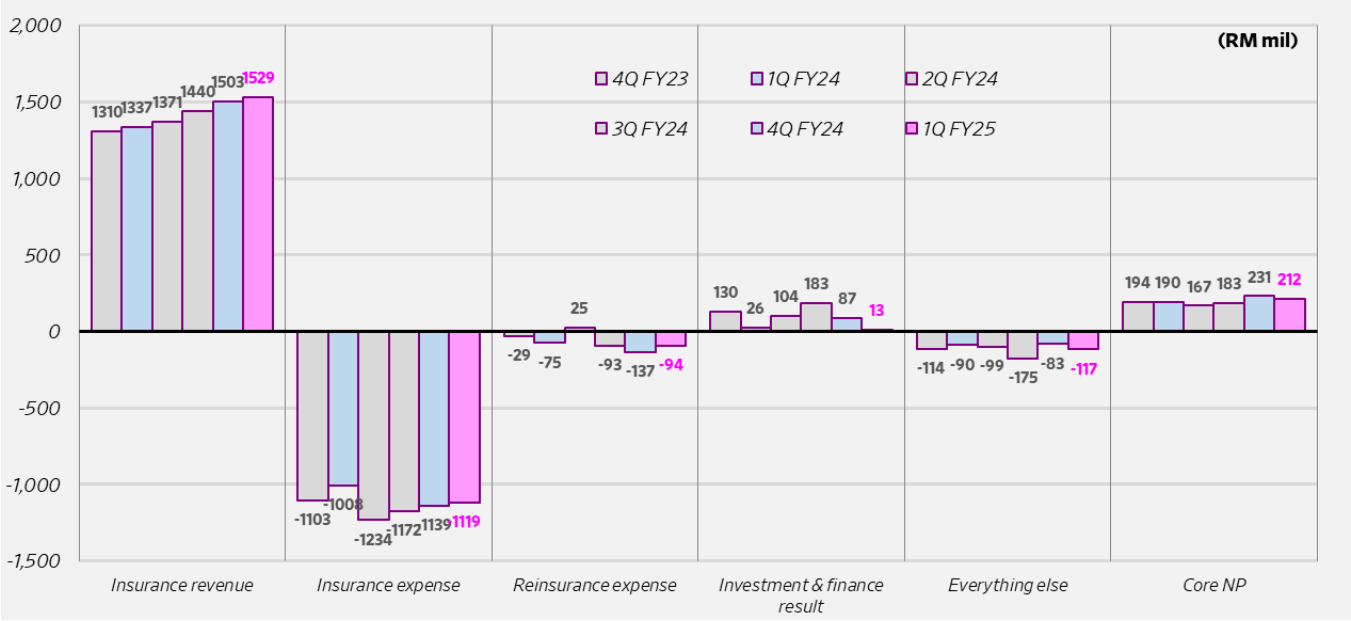
Source: Company, MIDFR

FIG 9: YoY P/L walk (Cumulative results)



Source: Company, MIDFR

FIG 10: QoQ P/L walk (Multiple Quarters)

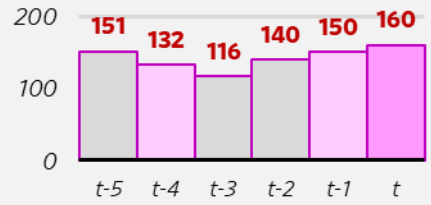


Source: Company, MIDFR

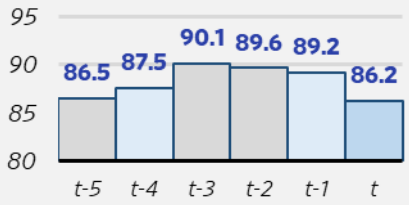
FIG 11: Quarterly Insurance Service Result Performance by Segment

1. General	Overall: ▲Strong | Qtr: +7%qoq, +21%yoy | Cum: +21%yoy

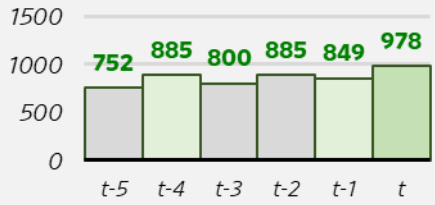
PBT (RM m)



Combined Ratio (%)



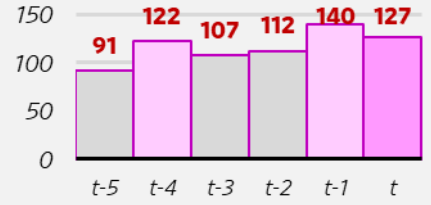
GWP (RM m)



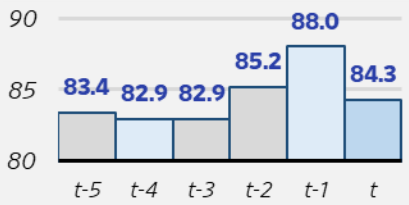
Commentary: A slightly stronger quarter, with solid insurance revenue coupled with a lower expense ratio and more moderate reinsurance and claims ratio.

2. Life	Overall: ▲Strong | Qtr: -10%qoq, +4%yoy | Cum: +4%yoy

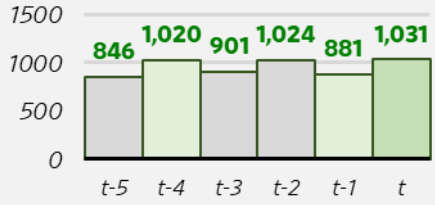
PBT (RM m)



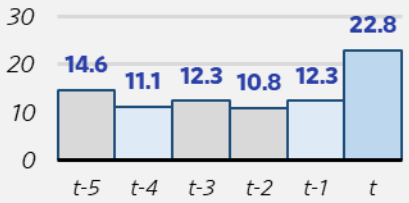
Block Persistency Ratio (%)



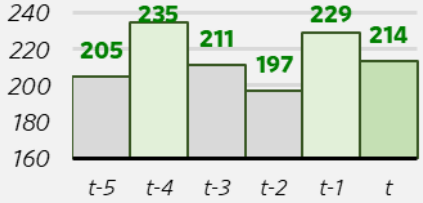
GWP (RM m)



Expense Ratio (%)



Annualised New Premium (RM m)

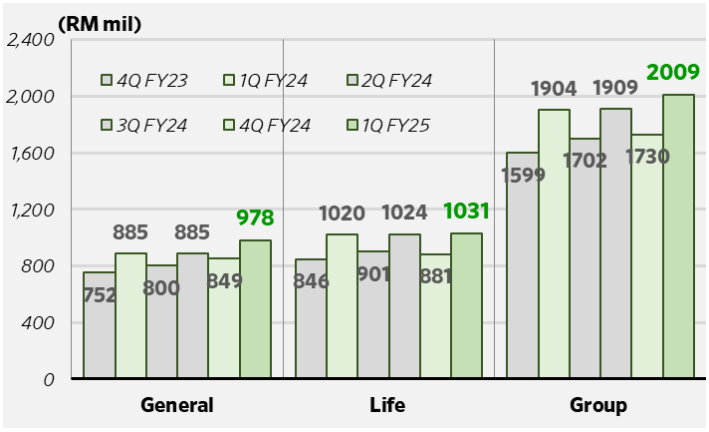


Commentary: An excellent insurance service result and positive net insurance finance expense (this figure is usually negative) offset a negative investment return. Low claims were the main factor in the excellent insurance service result.

Source: Company, MIDFR

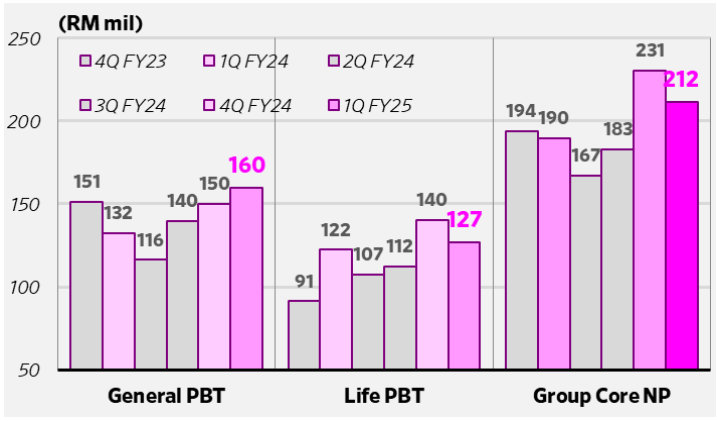
SEGMENTAL BREAKDOWN

FIG 12: GWP by Segment (Quarterly)



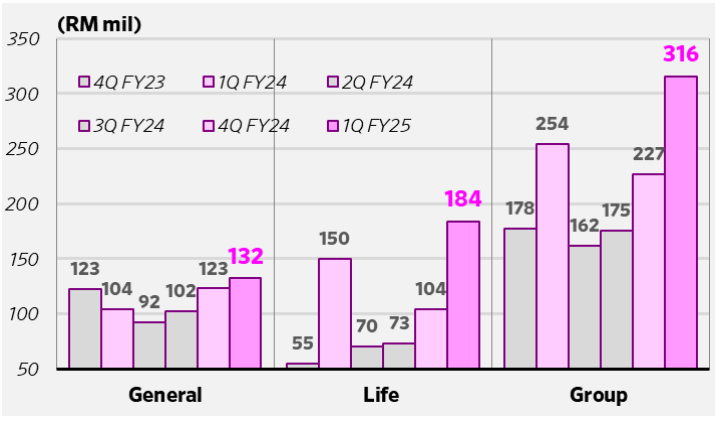
Source: Company, MIDFR

FIG 13: PBT by Segment, with Group Core NP (Quarterly)



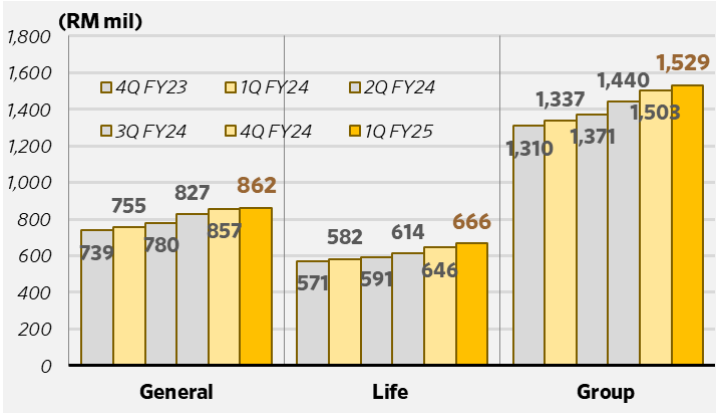
Source: Company, MIDFR

FIG 14: Insurance Service Result by Segment (Quarterly)



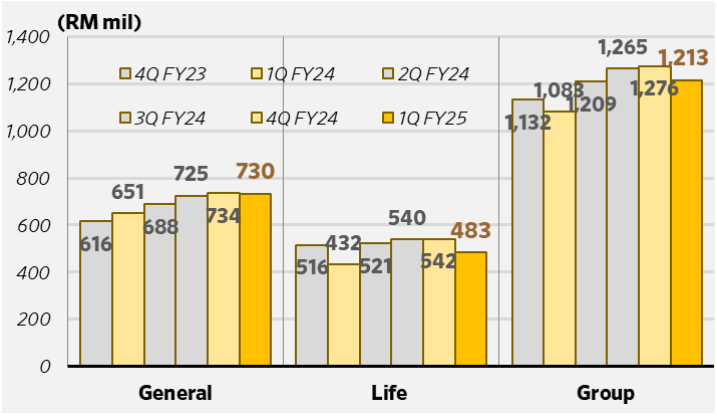
Source: Company, MIDFR

FIG 15: Insurance Revenue by Segment (Quarterly)



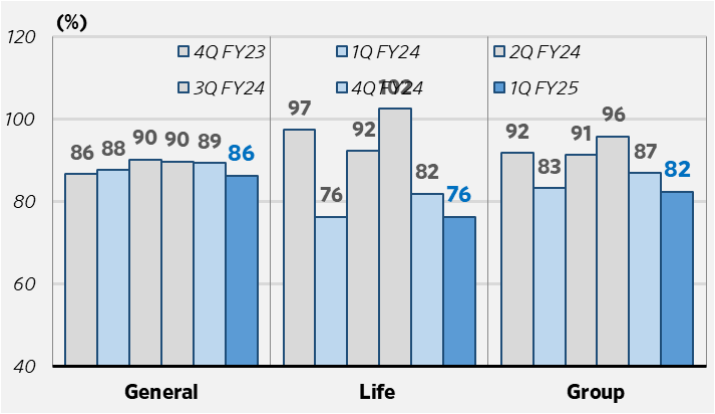
Source: Company, MIDFR

FIG 16: Insurance & Reinsurance Expenses by Segment (Quarterly)



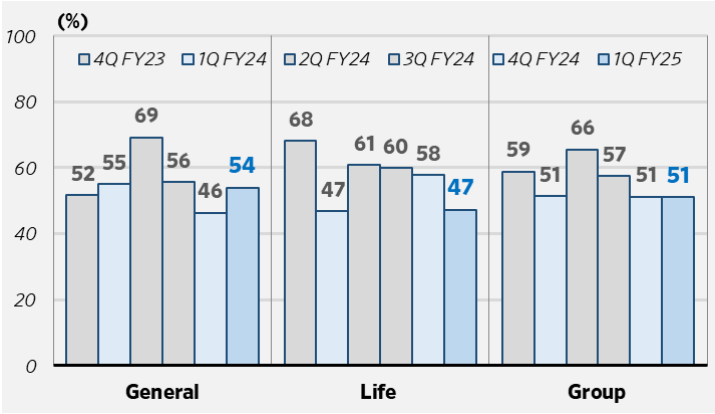
Source: Company, MIDFR

FIG 17: Combined Ratio by Segment (Quarterly)



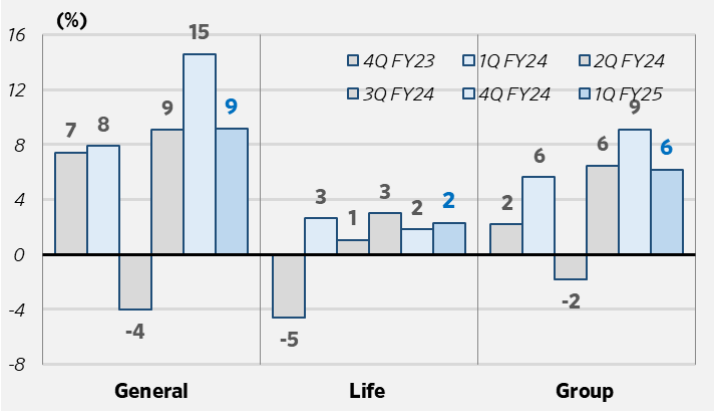
Source: Company, MIDFR

FIG 18: Claims Ratio by Segment (Quarterly)



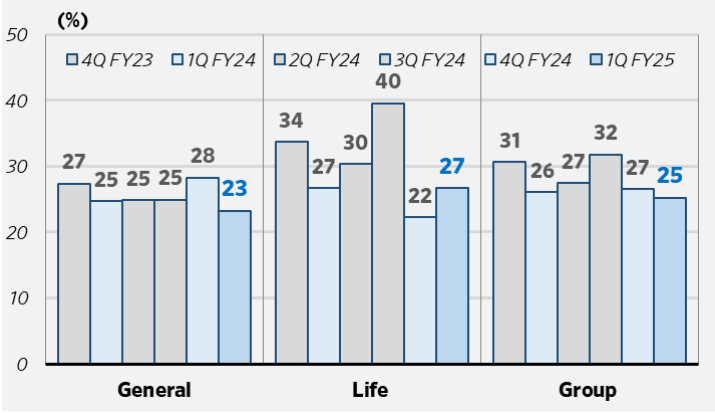
Source: Company, MIDFR

FIG 19: Reinsurance Ratio by Segment (Quarterly)



Source: Company, MIDFR

FIG 20: Expense Ratio by Segment (Quarterly)



Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Insurance revenue	4,942	5,651	6,076	6,557	7,079
Insurance service expenses	(3,897)	(4,553)	(4,893)	(5,279)	(5,698)
Reinsurance expense	(229)	(280)	(327)	(359)	(395)
Insurance service result	**817**	**818**	**856**	**918**	**986**
Investment return	1,142	1,577	1,622	1,676	1,703
Net finance result	(832)	(1,177)	(1,223)	(1,283)	(1,346)
Total ins, inv & financial result	**1,126**	**1,218**	**1,256**	**1,312**	**1,343**
Other income	1	5	12	11	11
Other OPEX	(170)	(217)	(217)	(217)	(217)
Associates	-	-	-	-	-
PBT	**957**	**1,005**	**1,050**	**1,105**	**1,137**
Tax	(226)	(235)	(245)	(258)	(265)
NCI	-	-	-	-	-
Reported NP	**731**	**771**	**805**	**847**	**871**
Core NP	**731**	**771**	**805**	**847**	**871**

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	1,562	2,027	2,027	2,027	2,027
Investment securities	23,052	25,121	26,377	27,696	29,081
Other assets	1,308	1,341	1,274	1,412	1,580
Total assets	**25,922**	**28,488**	**29,678**	**31,135**	**32,687**
Insurance contracts	19,316	21,220	22,281	23,395	24,565
Other liabilities	1,465	1,440	1,118	986	880
Total liabilities	**20,781**	**22,660**	**23,399**	**24,380**	**25,444**
Share capital	236	241	241	241	241
Reserves	4,370	5,057	5,508	5,983	6,471
Total equity	**5,141**	**5,828**	**6,279**	**6,754**	**7,242**
Total L&E	**25,922**	**28,488**	**29,678**	**31,135**	**32,687**

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Profitability (%)					
ROE	11.7	11.7	13.3	13.0	12.5
ROA	3.0	3.0	2.8	2.8	2.7
Combined ratio (%)	**83.5**	**85.5**	**85.9**	**86.0**	**86.1**
Claims	53.5	56.4	56.4	56.4	56.3
Expenses	25.3	24.2	24.2	24.2	24.1
Reinsurance	4.6	5.0	5.4	5.5	5.6
Growth (%)					
Insurance revenue	11.8	14.4	7.5	7.9	8.0
Insurance expense	16.4	16.9	7.5	7.9	7.9
Insurance service result	2.9	0.2	4.6	7.3	7.3
Net ins & investment result	7.6	8.2	3.1	4.5	2.4
PBT	9.5	5.1	4.5	5.2	2.8
Core NP	19.1	5.4	4.5	5.2	2.8
Valuation metrics					
Core EPS (sen)	211.7	223.2	233.2	245.4	252.4
Gross DPS (sen)	100.5	89.5	93.5	98.4	101.2
Div payout (%)	48	40	40	40	40
BVPS (RM)	14.9	16.9	18.2	19.6	21.0
Core P/E (x)	8.9	8.4	8.1	7.7	7.4
Div yield (%)	**5.3**	**4.8**	**5.0**	**5.2**	**5.4**
P/BV (x)	1.3	1.1	1.0	1.0	0.9

Source: Company, MIDFR

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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	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
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	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

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