Corporate Update

LPI Capital Berhad

(8621 | LPI MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **BUY**

Revised Target Price **RM15.25** (from RM14.52)

1QFY25 Results
A Defensive Pick

To Conclude	**Decent set of earnings, as forecasted. We are starting to feel a pinch from higher reinsurance costs.**
Our Verdict	**Although valuations aren't cheap, we like LPI as a defensive option. Its dividend yields are high, its growth prospects are interlinked with resilient retail loans, and it has zero medical premium exposure. It benefits from a possible special dividend payout, following its disposal of 1.13% equity interest in Public Bank.**
Yays	1. LPI's standard dividend payout at 5.8% is pretty solid. 2. Possibility of a special dividend. 3. Collaborative efforts between LPI and Public Bank could translate to cost savings and higher operating efficiency.
Nays	1. Economic slowdown induced weaker growth, though LPI is more dependent on more resilient retail loan performance.
Okays	1. LPI's portfolio comprises solely general premiums, thus avoiding medical premium exposure.

Results in a nutshell:

▲ **3MFY25's Core NP of RM98m was *Within*/*Within* our/street forecasts: *25%*/*25%* of full-year forecasts.**

▼ **3MFY25's Core net profit (NP) of RM98m down by -3%yoy.** This was largely due to higher reinsurance expenses, stemming from a change in actuarial assumptions. This offsets higher insurance revenue and lower insurance service expenses.

▲ **1QFY25's Core NP of RM98m up by +33%qoq.** Despite posting a weaker insurance service result, investment returns were a lot better this time (1Q and 3Q usually perform a lot better on this front).

▲ **3MFY25's GWP of RM569m grew by a solid +7%yoy while 1QFY25's figure of RM569m grew by a exceptional +32%qoq.**

▼ **3MFY25's Combined ratio of 77.6% up +4.2%yoy. 1QFY25's Combined ratio of 77.6% up +2.5%qoq.** Reinsurance ratio was exceptionally high.

In terms of segments, Fire and Miscellaneous segments underperformed due to higher claims. This offsets the abnormally strong performance from MAT and motor segments.

RETURN STATISTICS

Price @ 30 April 2025 (RM)	14.32
Expected share price return (%)	+6.5
Expected dividend yield (%)	+5.8
Expected total return (%)	**+12.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-1.4	-2.3
3 months	-1.4	12.8
12 months	18.3	22.0

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**387**	**415**	**442**
CNP growth (%)	3	7	7
Div yield (%)	**5.8**	**6.2**	**6.6**
Gross DPS (sen)	82.5	88.5	94.4
P/BV (x)	**2.3**	**2.2**	**2.2**
BVPS (RM)	6.2	6.4	6.5
ROE (%)	**15.8**	**16.5**	**17.2**
% Street CNP (%)	**99**	**101**	**102**

KEY STATISTICS

FBM KLCI	1,540.22
Issue shares (m)	398.38
Estimated free float (%)	91.76
Market Capitalisation (RM'm)	5657.04
52-wk price range	RM11.9 – RM14.4
3-mth average daily volume (m)	0.10
3-mth average daily value (RM'm)	1.35
Top Shareholders (%)	
Public Bank	44.15
Public Mutual Bhd	8.54
Sompo Holdings, Inc	4.71

Analyst

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Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Reinsurance hardening, (2) Higher-than-expected claims, (3) Weak premium growth.*

Maintain BUY call: Revised GGM-TP of RM 15.25 ***(from RM14.52)***. The TP is based on a revised FY25F P/BV of 2.45x *(formerly 2.42x)*. We upgrade our valuation basis to factor in possible synergies with Public Bank, given their closer link with them post-agreement. LPI is likely the best defensive pick among insurance counters, given its high dividend yields (and possibility of a special dividend payout) and its heavier reliance on more resilient retail loans (as opposed to business loans).

(GGM assumptions: *FY25F ROE of 15.8%, LTG of 4.0% & COE of 8.8%)*

FIG 1: Quarterly results

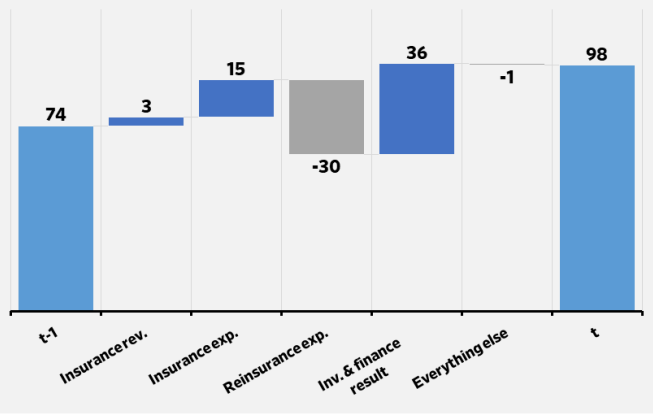
FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Insurance revenue	466	462	423	10	1	466	423	10
Insurance service expenses	(224)	(239)	(245)	-9	-6	(224)	(245)	-9
Reinsurance expenses	(163)	(133)	(90)	82	22	(163)	(90)	82
Insurance service result	**79**	**90**	**88**	**-10**	**-13**	**79**	**88**	**-10**
Investment return	54	20	51	5	173	54	51	5
Net finance result	(10)	(12)	(9)	12	-16	(10)	(9)	12
Net inv & financial result	**123**	**98**	**130**	**-6**	**25**	**123**	**130**	**-6**
Other income	3	1	2	n.m.	n.m.	3	2	n.m.
OPEX and finance costs	(6)	(4)	(5)	n.m.	n.m.	(6)	(5)	n.m.
Associates	0	1	0	n.m.	n.m.	0	0	n.m.
PBT	**120**	**96**	**127**	**-6**	**25**	**120**	**127**	**-6**
Tax	(22)	(22)	(26)	-15	0	(22)	(26)	-15
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**98**	**74**	**101**	**-3**	**33**	**98**	**101**	**-3**
Core NP	**98**	**74**	**101**	**-3**	**33**	**98**	**101**	**-3**
Gross DPS (sen)	**-**	**50.0**	**-**	**n.m.**	**n.m.**	**-**	**-**	**n.m.**
Core EPS (sen)	24.6	18.5	25.4	-3	33	24.6	25.4	-3

Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	Qoq (ppts)	3M FY25	3M FY24	Yoy (ppts)
ROE (Ann.)	**17.1**	**12.2**	**18.3**	**-1.2**	**4.9**	**17.1**	**18.3**	**-1.2**
Underwriting margin	**16.9**	**19.5**	**20.8**	**-3.9**	**-2.6**	**16.9**	**20.8**	**-3.9**
Combined (As reported)	**77.6**	**75.1**	**73.4**	**4.2**	**2.5**	**77.6**	**73.4**	**4.2**
Claims	45.7	41.5	40.1	5.6	4.2	45.7	40.1	5.6
Mgmt expenses	21.2	19.8	21.2	0.0	1.4	21.2	21.2	0.0
Commission	8.2	7.9	8.4	-0.2	0.3	8.2	8.4	-0.2
Net insurance finance cost	3.5	3.9	3.2	0.3	-0.4	3.5	3.2	0.3
Onerous contracts	(0.9)	2.0	0.6	-1.5	-2.9	(0.9)	0.6	-1.5

By Segment (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Total GWP	**569**	**431**	**532**	**7**	**32**	**569**	**532**	**7**
Fire	231	183	210	10	26	231	210	10
Motor	122	122	114	7	-0	122	114	7
MAT	29	21	34	-13	42	29	34	-13
Misc	187	105	174	7	78	187	174	7
Total Ins. service result	**79**	**90**	**88**	**-10**	**-13**	**79**	**88**	**-10**
Fire	40	71	64	-37	-43	40	64	-37
Motor	19	6	(1)	<-500	232	19	(1)	<-500
MAT	55	1	(1)	<-500	>500	55	(1)	<-500
Misc	18	28	26	-29	-35	18	26	-29

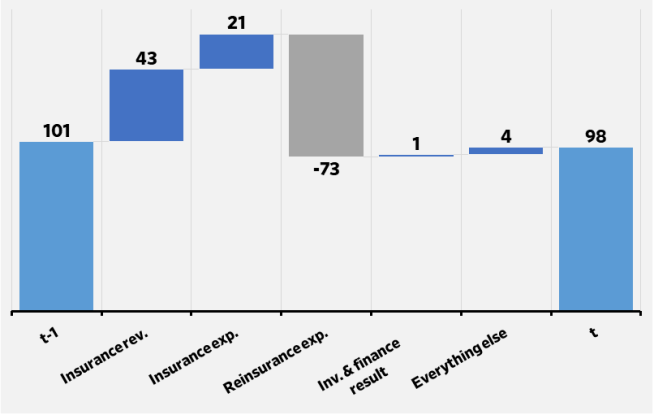
Source: Company, MIDFR

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



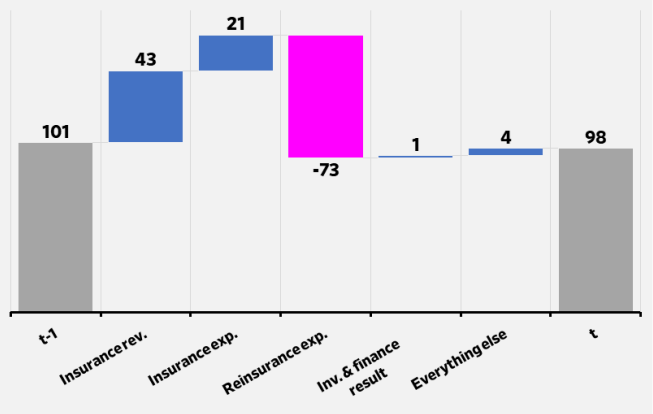
Source: Company, MIDFR

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



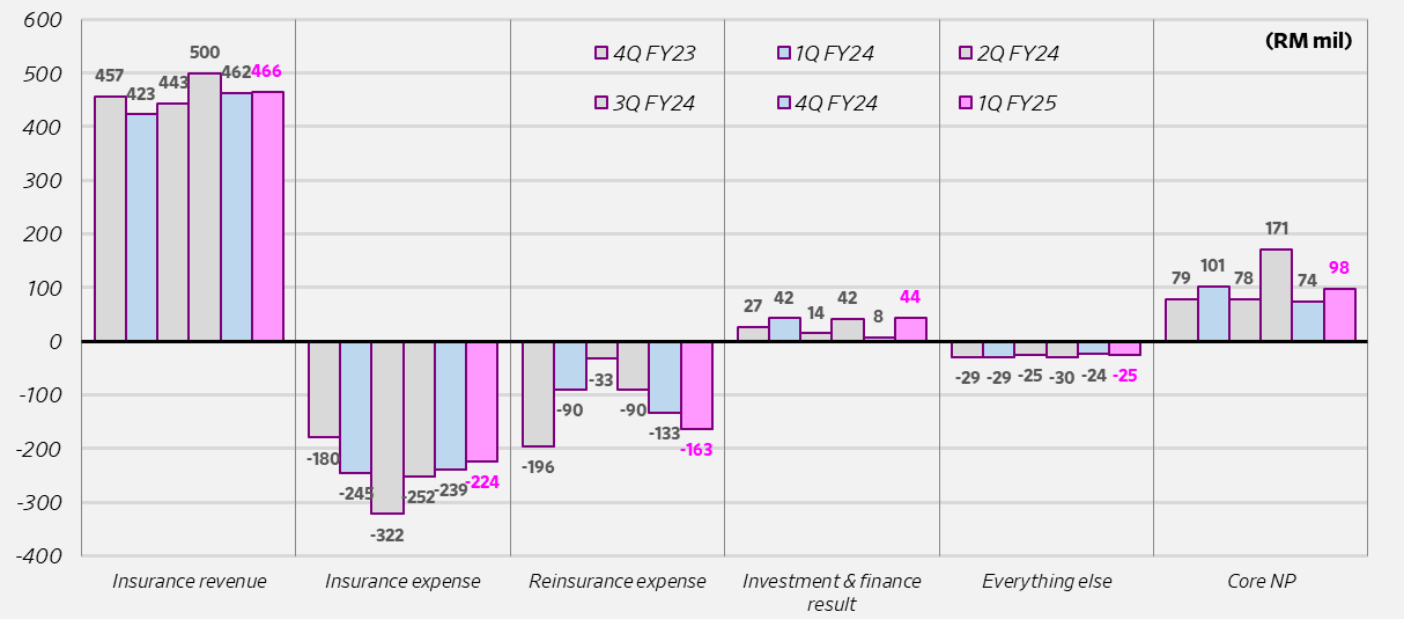
Source: Company, MIDFR

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



Source: Company, MIDFR

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

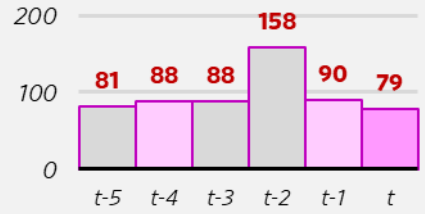


Source: Company, MIDFR

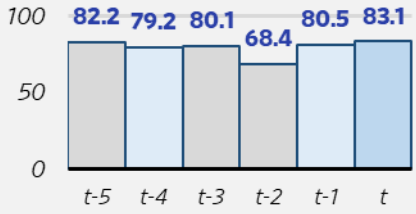
FIG 6: Quarterly Insurance Service Result Performance by Segment

1. Total Overall: ▼ Weak

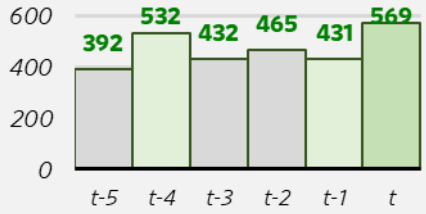
Insurance Service Result (RM m)



Combined Ratio (%)



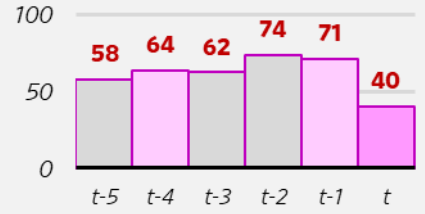
GWP (RM m)



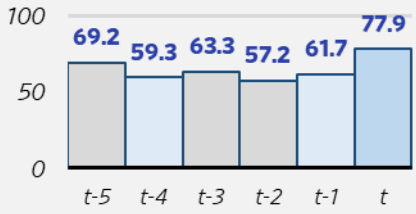
Commentary: Despite impressive insurance revenue and insurance service expenses, the overall insurance service result was dragged higher reinsurance charges. Although Motor and MAT segments produced unusually strong results, overall result was dragged by Fire and Miscellaneous segment underperformance.

2. Fire Overall: ▼ Weak

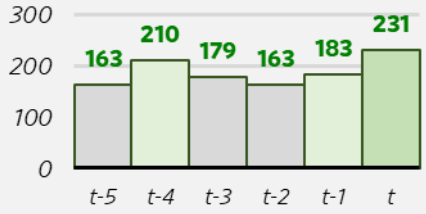
Insurance Service Result (RM m)



Combined Ratio (%)

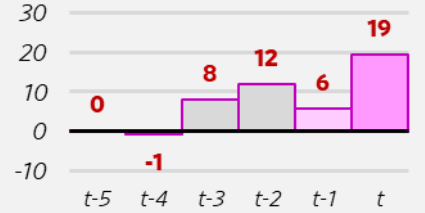


GWP (RM m)

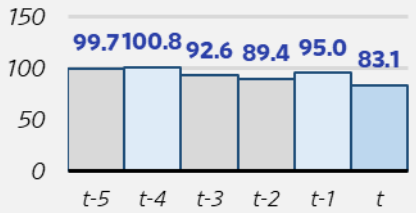


3. Motor Overall: ▲ Exceptional

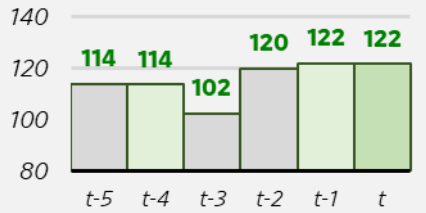
Insurance Service Result (RM m)



Combined Ratio (%)

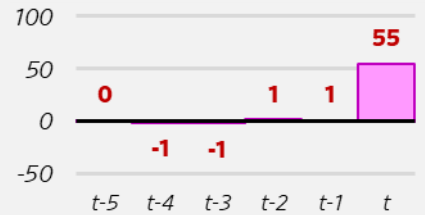


GWP (RM m)

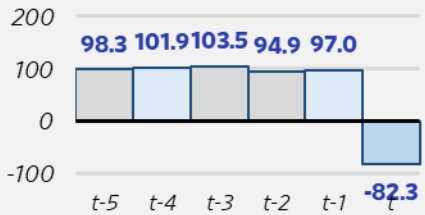


4. MAT Overall: ▲ Exceptional

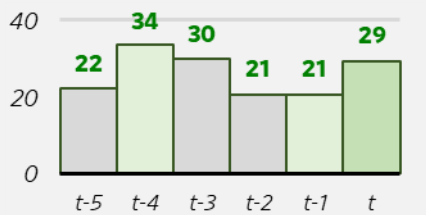
Insurance Service Result (RM m)



Combined Ratio (%)

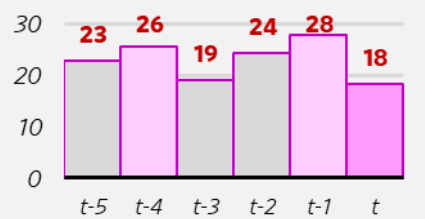


GWP (RM m)

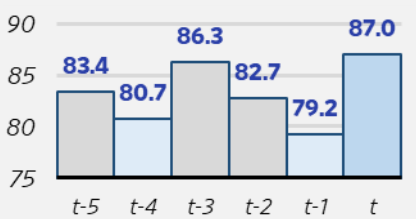


5. Misc Overall: ▼ Weak

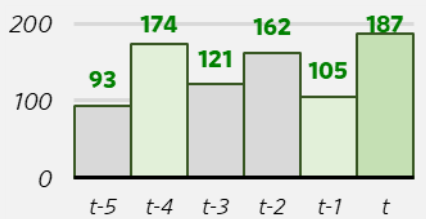
Insurance Service Result (RM m)



Combined Ratio (%)



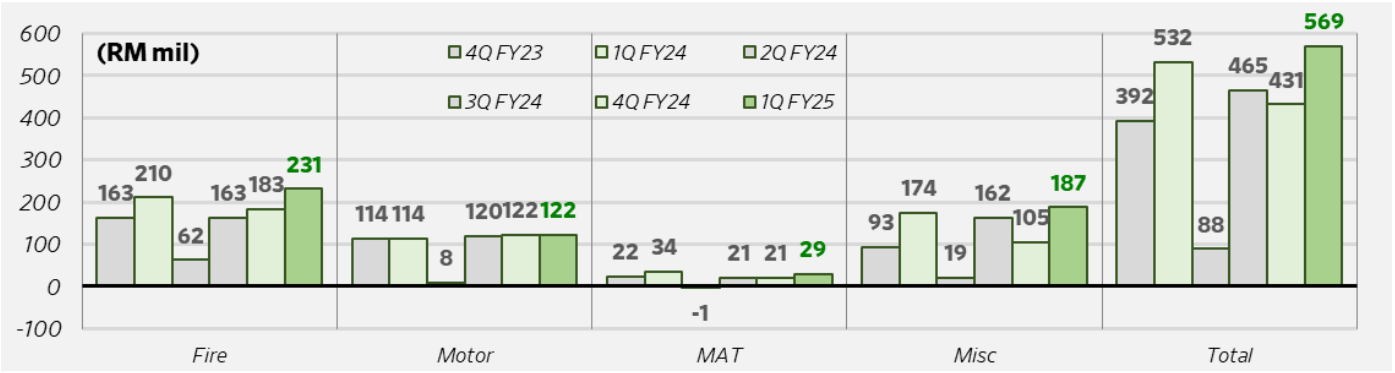
GWP (RM m)



Source: Company, MIDFR

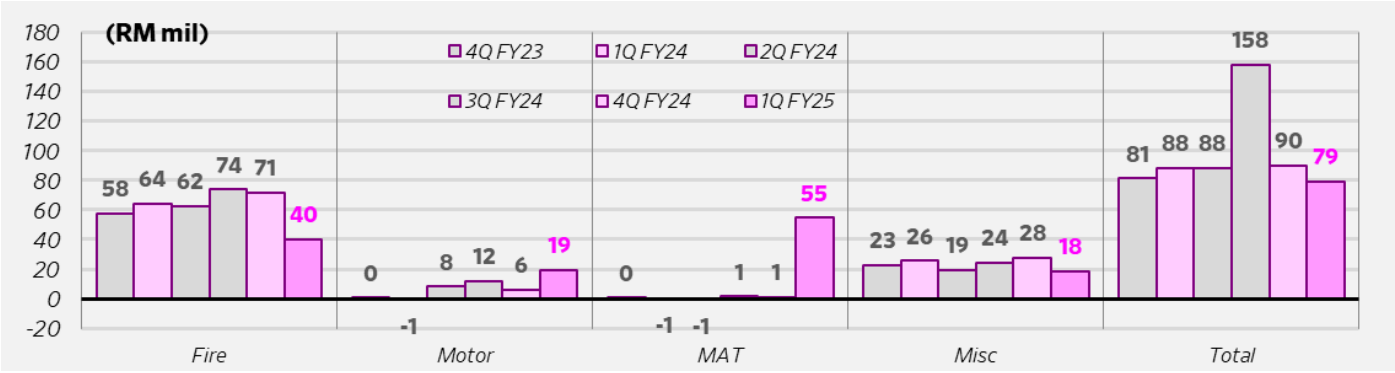
SEGMENTAL BREAKDOWN

FIG 7: GWP by Segment (Quarterly)



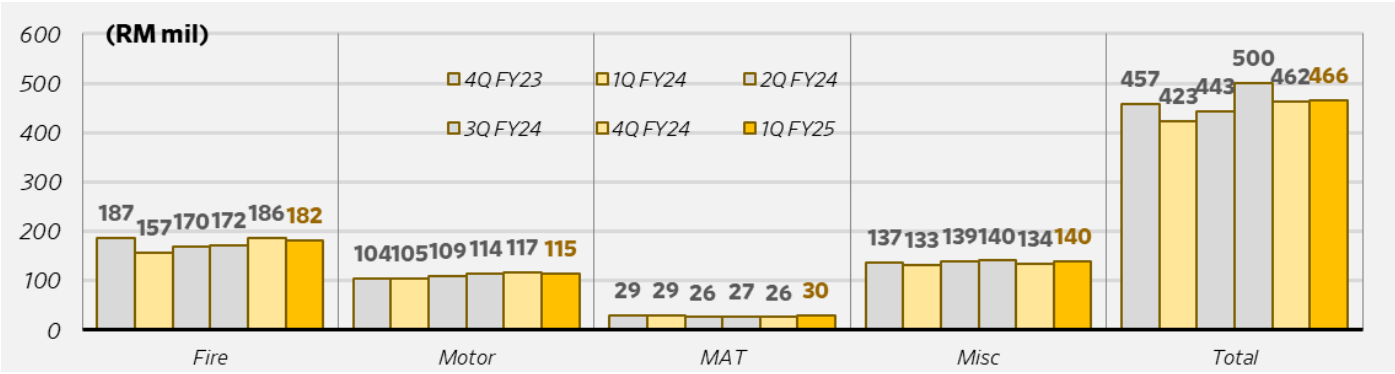
Source: Company, MIDFR

FIG 8: Insurance Service Result by Segment (Quarterly)



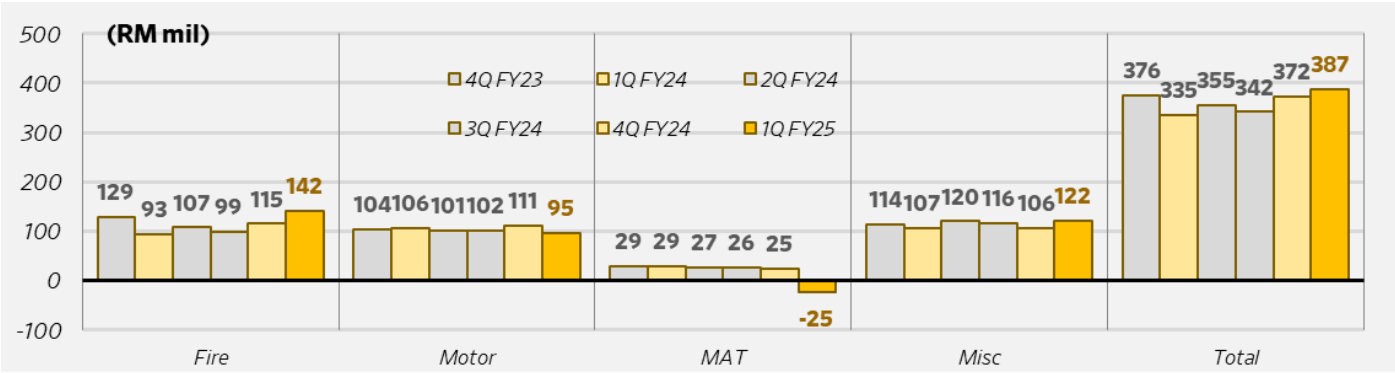
Source: Company, MIDFR

FIG 9: Insurance Revenue by Segment (Quarterly)



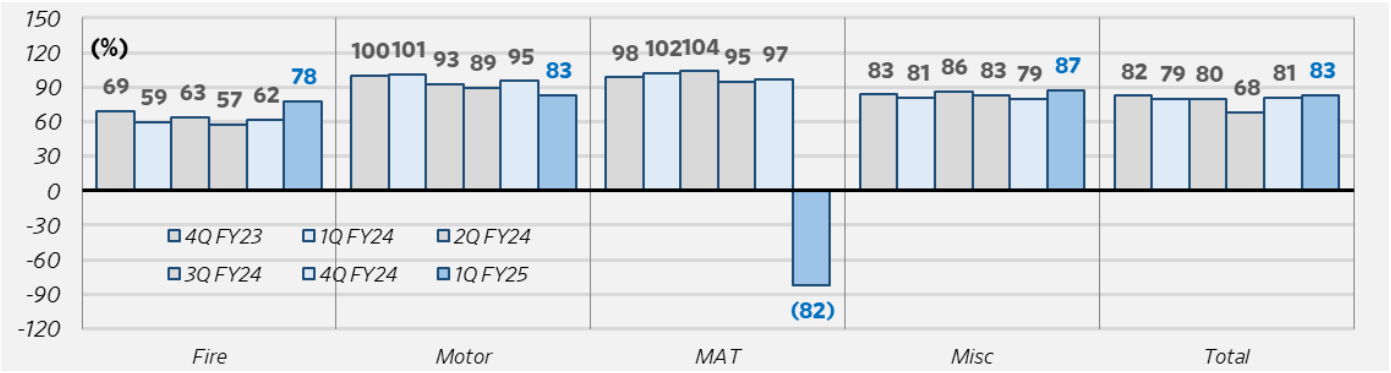
Source: Company, MIDFR

FIG 10: Insurance & Reinsurance Expenses by Segment (Quarterly)



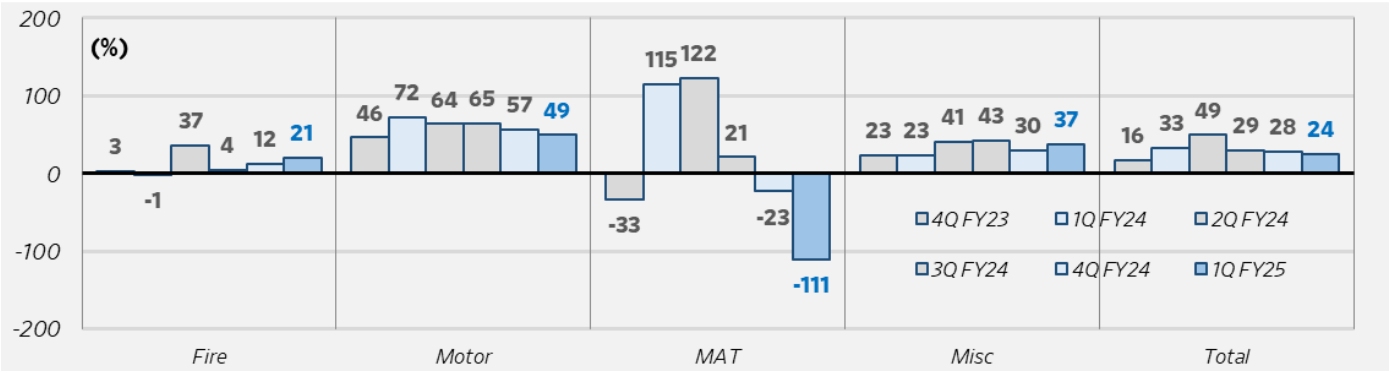
Source: Company, MIDFR

FIG 11: Combined ratio by Segment (Quarterly)



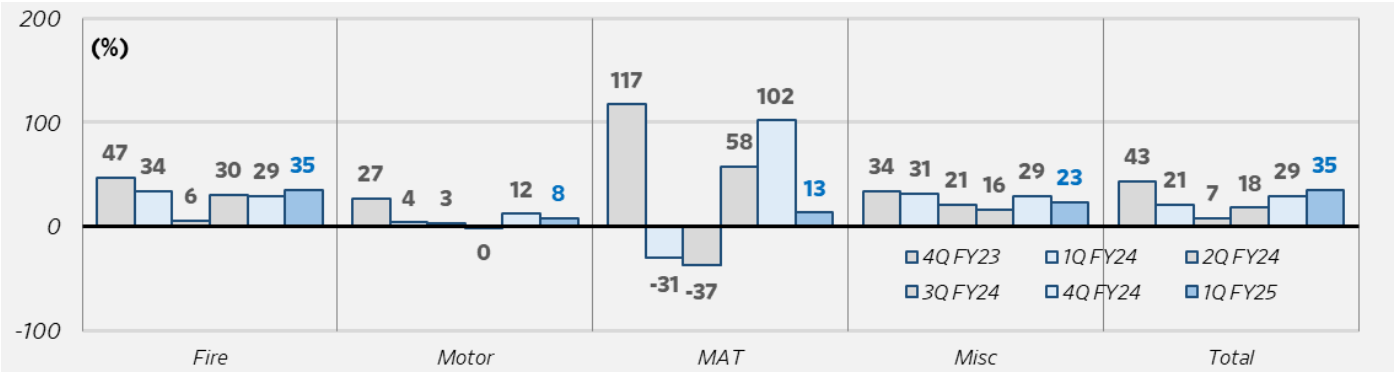
Source: Company, MIDFR

FIG 12: Claims ratio by Segment (Quarterly)



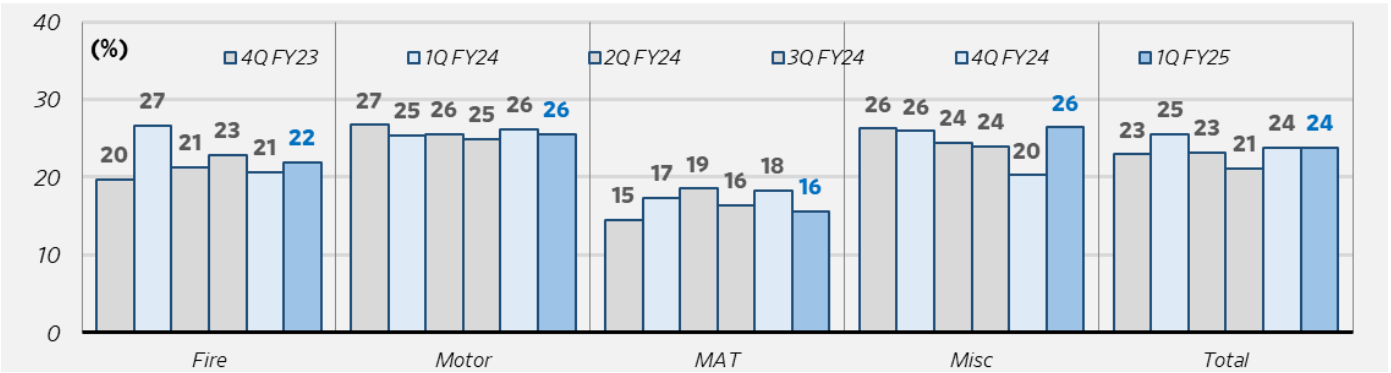
Source: Company, MIDFR

FIG 13: Reinsurance ratio by Segment (Quarterly)



Source: Company, MIDFR

FIG 14: Expense ratio by Segment (Quarterly)



Source: Company, MIDFR

FIG 15: Combined ratio (and components) by Segment

Ratio components (%)	4Q FY23	1Q FY24	2Q FY24	3Q FY24	4Q FY24	1Q FY25	3M FY24	3M FY25
Total (Reported)								
Combined ratio	**74.9**	**73.4**	**73.6**	**66.8**	**75.1**	**77.6**	**73.4**	**77.6**
Claims	41.7	40.1	44.3	35.8	41.5	45.7	40.1	45.7
Mgmt expenses	20.9	21.2	18.4	19.1	19.8	21.2	21.2	21.2
Commission	8.8	8.4	8.3	8.4	7.9	8.2	8.4	8.2
Net insurance finance cost	3.0	3.2	3.2	3.1	3.9	3.5	3.2	3.5
Onerous contracts	0.4	0.6	(0.5)	0.5	2.0	(0.9)	0.6	(0.9)
Total (Our estimates)								
Combined ratio	**82.2**	**79.2**	**80.1**	**68.4**	**80.5**	**83.1**	**79.2**	**83.1**
Claims	16.4	32.6	49.4	29.3	27.9	24.3	32.6	24.3
Reinsurance	42.9	21.2	7.5	17.9	28.9	35.0	21.2	35.0
Expense	22.9	25.4	23.1	21.1	23.8	23.8	25.4	23.8
Fire (Our estimates)								
Combined ratio	**69.2**	**59.3**	**63.3**	**57.2**	**61.7**	**77.9**	**59.3**	**77.9**
Claims	2.6	(1.0)	36.5	4.0	12.2	20.8	(1.0)	20.8
Reinsurance	46.9	33.7	5.5	30.3	28.9	35.2	33.7	35.2
Expense	19.7	26.6	21.2	22.9	20.6	21.9	26.6	21.9
Motor (Our estimates)								
Combined ratio	**99.7**	**100.8**	**92.6**	**89.4**	**95.0**	**83.1**	**100.8**	**83.1**
Claims	46.3	71.8	63.6	65.0	56.8	49.3	71.8	49.3
Reinsurance	26.7	3.7	3.4	(0.5)	12.0	8.3	3.7	8.3
Expense	26.7	25.3	25.5	24.8	26.1	25.5	25.3	25.5
MAT (Our estimates)								
Combined ratio	**98.3**	**101.9**	**103.5**	**94.9**	**97.0**	**(82.3)**	**101.9**	**(82.3)**
Claims	(33.3)	115.2	122.5	20.9	(23.2)	(111.0)	115.2	(111.0)
Reinsurance	117.2	(30.6)	(37.4)	57.6	101.9	13.1	(30.6)	13.1
Expense	14.5	17.3	18.5	16.3	18.3	15.5	17.3	15.5
Misc (Our estimates)								
Combined ratio	**83.4**	**80.7**	**86.3**	**82.7**	**79.2**	**87.0**	**80.7**	**87.0**
Claims	23.2	23.4	40.5	42.8	29.5	37.2	23.4	37.2
Reinsurance	33.9	31.4	21.3	16.0	29.4	23.5	31.4	23.5
Expense	26.2	25.9	24.4	23.9	20.2	26.4	25.9	26.4

Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Insurance revenue	**1,782**	**1,782**	**1,920**	**2,096**	**2,244**
Insurance service expenses	(827)	(1,058)	(1,155)	(1,257)	(1,352)
Reinsurance expense	(661)	(346)	(379)	(412)	(438)
Insurance service result	**294**	**378**	**386**	**427**	**453**
Investment return	149	146	149	144	153
Net finance result	(32)	(39)	(39)	(39)	(39)
Net investment & financial result	**117**	**107**	**110**	**105**	**114**
Total ins, inv & financial result	**411**	**485**	**497**	**532**	**567**
Other income	4	5	5	5	5
Other OPEX and finance costs	(21)	(18)	(18)	(18)	(18)
Associates	2	2	3	3	3
PBT	**395**	**474**	**487**	**523**	**557**
Tax	(81)	(97)	(100)	(108)	(115)
NCI	-	-	-	-	-
Reported NP	**314**	**377**	**387**	**415**	**442**
Core NP	**314**	**377**	**387**	**415**	**442**

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	315	150	150	150	150
Reinsurance contracts	878	880	977	1,084	1,204
Investment securities	3,167	3,559	3,241	3,284	3,329
Other assets	209	196	592	627	659
Total assets	**4,569**	**4,785**	**4,960**	**5,145**	**5,341**
Insurance contracts	2,200	2,257	2,370	2,488	2,613
Other liabilities	86	106	110	114	119
Total liabilities	**2,286**	**2,363**	**2,480**	**2,602**	**2,732**
Share capital	398	398	398	398	398
Reserves	1,885	2,024	2,082	2,144	2,211
Total equity	**2,284**	**2,422**	**2,480**	**2,543**	**2,609**
Total L&E	**4,569**	**4,785**	**4,960**	**5,145**	**5,341**

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Profitability (%)					
ROE	14.0	16.0	15.8	16.5	17.2
ROA	6.7	8.1	7.9	8.2	8.4
Combined ratio (%)	83.5	78.8	79.9	79.6	79.8
Claims	23.7	35.5	36.4	36.2	36.5
Expense	22.7	23.9	23.8	23.7	23.7
Reinsurance	37.1	19.4	19.7	19.7	19.5
Growth (%)					
Insurance revenue	16.1	-0.0	7.8	9.2	7.0
Insurance expense	-34.4	27.9	9.2	8.8	7.6
Insurance service result	2.7	28.6	2.3	10.5	6.1
PBT	15.6	20.1	2.7	7.3	6.6
Core NP	24.4	20.2	2.6	7.3	6.6
Valuation metrics					
Core EPS (sen)	78.7	94.7	97.1	104.2	111.0
Gross DPS (sen)	66.0	80.0	82.5	88.5	94.4
Div payout (%)	84	85	85	85	85
BVPS (RM)	5.7	6.1	6.2	6.4	6.5
Core P/E (x)	18.2	15.1	14.8	13.7	12.9
Div yield (%)	**4.6**	**5.6**	**5.8**	**6.2**	**6.6**
P/BV (x)	2.5	2.4	2.3	2.2	2.2

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