Corporate Update

Syarikat Takaful Malaysia Keluarga Berhad

(6139 | STMB MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **BUY**

Revised Target Price **RM4.59** (from RM4.97)

1QFY25 Results Review
A Solid Pick

To Conclude	**Decent set of earnings, as forecasted.** **Expect: Solid growth prospects, though investment income could go either way.**
Our Verdict	**TAKAFUL's valuations remain extremely attractive, coupled with a high dividend yield. It has solid growth prospects and limited exposure to medical premiums.**
Valuations	**Current P/BV of 1.42x is inexpensive, trading lower than -1SD of the 5-year P/BV mean of 1.93x.** **The company is currently trading at a forward FY25F P/BV of 1.37x with a 5.1% dividend yield.**
Yays	1. TAKAFUL's growth prospects remain solid, especially with its recent slew of bancassurance tie-ups. 2. TAKAFUL's Kaotim app is extremely successful, giving the Group headway into digital channels.
Nays	1. Still subject to reinsurance hardening. 2. Economic slowdown could hamper growth.
Okays	1. Limited exposure to medical premiums.

Results in a nutshell:

► **3MFY25's Core NP of RM95m was *Within*/*Within* our/street forecasts: *22%*/*23%* of full-year forecasts.**

► **No dividend announcement.**

▼ **3MFY25's Core net profit (NP) of RM95m down by -8%yoy.** Despite a large leap in takaful revenue, this was offset by higher takaful expenses and investment and finance result.

▲ **1QFY25's Core NP of RM95m up by 16%qoq.** This was driven by better takaful revenue and lower retakaful expenses offsetting higher takaful expenses and investment and finance expenses.

Forecasts revised: FY25/FY26 Core NP adjusted by -2%/-3%. To reflect slower premium and earnings growth from a slower economy.

Key downside risks. *(1) Steep reinsurance hardening, (2) Slower-than-expected premium growth, (3) Higher-than-expected claims ratio.*

RETURN STATISTICS

Price @ 26 May 2025 (RM)	3.46
Expected share price return (%)	+32.7
Expected dividend yield (%)	+5.1
Expected total return (%)	**+37.7**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.9	-6.7
3 months	-4.4	5.8
12 months	-9.2	-3.8

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**412**	**430**	**467**
CNP growth (%)	8	4	9
Div yield (%)	**5.1**	**5.3**	**5.7**
Gross DPS (sen)	17.6	18.3	19.9
P/BV (x)	**1.4**	**1.2**	**1.1**
BVPS (RM)	2.5	2.8	3.2
ROE (%)	**20.1**	**18.6**	**18.0**
% Street CNP (%)	**102**	**101**	**103**

KEY STATISTICS

FBM KLCI	1,534.30
Issue shares (m)	837.3
Estimated free float (%)	51.6
Market Capitalisation (RM'm)	3,017.8
52-wk price range	RM3.28 – RM4.16
3-mth average daily volume (m)	0.5
3-mth average daily value (RM'm)	1.8
Top Shareholders (%)	
Lembaga Tabung Haji	30.8
EPF Board	18.7
Kumpulan Wang Persaraan Diperbadan	6.5

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Maintain BUY call: Revised GGM-TP of RM 4.59 *(from RM4.97).* The TP is based on a revised FY25F P/BV of 1.81x *(formerly 1.84x)*, to reflect altered earnings prospects and ROE-based valuations.

***(GGM assumptions:** FY25F ROE of 20.1%, LTG of 3.5% & COE of 12.7%)*

FIG 1: Quarterly results

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Takaful revenue	981	911	826	19	8	981	826	19
Takaful expenses	(849)	(831)	(764)	11	2	(849)	(764)	11
Claims & other service exp	*(424)*	*(389)*	*(433)*	*-2*	*9*	*(424)*	*(433)*	*-2*
Incurred surplus	*(253)*	*(344)*	*(185)*	*37*	*-26*	*(253)*	*(185)*	*37*
Acquisition CF exp	*(144)*	*(133)*	*(141)*	*3*	*8*	*(144)*	*(141)*	*3*
Onerous contracts	*(2)*	*19*	*(2)*	*-5*	*-109*	*(2)*	*(2)*	*-5*
Others	*(26)*	*16*	*(4)*	*>500*	*-261*	*(26)*	*(4)*	*>500*
Retakaful	(14)	(38)	(9)	61	-64	(14)	(9)	61
Takaful service result	**118**	**43**	**53**	123	178	**118**	**53**	123
Investment return	80	162	159	-50	-51	80	159	-50
Net takaful finance exp	(45)	(64)	(60)	-25	-30	(45)	(60)	-25
Net takaful & inv result	**153**	**141**	**152**	1	9	**153**	**152**	1
Other income/OPEX	(2)	(1)	(2)	23	55	(2)	(2)	23
PBT	**151**	**140**	**150**	1	8	**151**	**150**	1
Tax	(53)	(55)	(45)	19	-4	(53)	(45)	19
Zakat	(3)	(3)	(3)	6	22	(3)	(3)	6
Reported NP	**95**	**82**	**102**	-8	16	**95**	**102**	-8
Core NP	**95**	**82**	**102**	-8	16	**95**	**102**	-8
Gross DPS (sen)	**-**	**17.0**	**-**	n.m.	n.m.	**-**	**-**	n.m.
Core EPS (sen)	10.8	9.7	12.2	-11	11	10.8	12.2	-11

Ratios (%)	1Q FY25	4Q FY24	1Q FY24	Yoy (ppts)	Qoq (ppts)	3M FY25	3M FY24	Yoy (ppts)
ROE (Ann.)	**17.8**	**17.0**	**22.9**	**-5.1**	**0.8**	**17.8**	**22.9**	**-5.1**
Underwriting margin	**12.1**	**4.7**	**6.4**	**5.6**	**7.4**	**12.1**	**6.4**	**5.6**
Combined*	**62.3**	**57.8**	**71.4**	**-9.0**	**4.6**	**62.3**	**71.4**	**-9.0**
Claims*	43.2	42.7	52.4	-9.2	0.5	43.2	52.4	-9.2
Reinsurance*	1.4	4.2	1.0	0.4	-2.8	1.4	1.0	0.4
Expense	17.7	10.9	18.0	-0.2	6.8	17.7	18.0	-0.2

**The figures include income/expenses not normally found in a combined ratio. Thus, STMB's combined ratio may not be the most reliable profitability indicator.*

Source: Company, MIDFR

FIG 2: Quarterly results (Family)

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Takaful revenue	608	502	450	35	21	608	450	35
Takaful expenses	(615)	(536)	(531)	16	15	(615)	(531)	16
Claims & other service exp	*(219)*	*(215)*	*(212)*	*3*	*2*	*(219)*	*(212)*	*3*
Incurred surplus	*(219)*	*(228)*	*(162)*	*35*	*-4*	*(219)*	*(162)*	*35*
Acquisition CF exp	*(175)*	*(106)*	*(154)*	*14*	*66*	*(175)*	*(154)*	*14*
Onerous contracts	*-*	*-*	*-*	*n.m.*	*n.m.*	*-*	*-*	*n.m.*
Others	*(2)*	*13*	*(4)*	*-41*	*-116*	*(2)*	*(4)*	*-41*
Retakaful	(0)	(16)	4	-103	-99	(0)	4	-103
Takaful service result	**(7)**	**(51)**	**(78)**	-92	-87	**(7)**	**(78)**	-92
Investment return	34	121	118	-71	-72	34	118	-71
Net takaful finance exp	(27)	(46)	(40)	-32	-41	(27)	(40)	-32
Net takaful & inv result	**0**	**24**	**1**	-27	-98	**0**	**1**	-27
Other income/OPEX	(0)	0	(1)	-73	-149	(0)	(1)	-73

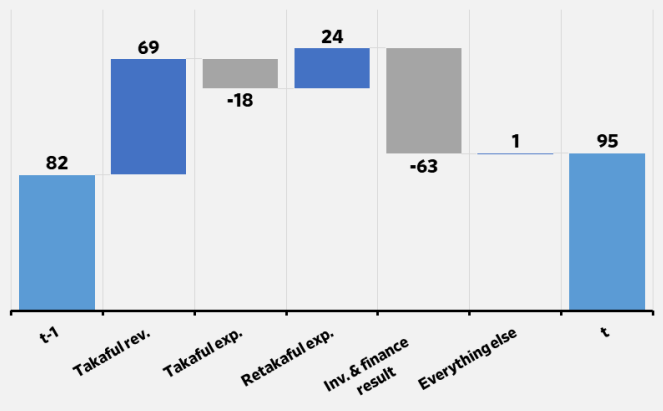
Source: Company, MIDFR

FIG 3: Quarterly results (General)

FYE Dec (RM m)	1Q FY25	4Q FY24	1Q FY24	Yoy (%)	Qoq (%)	3M FY25	3M FY24	Yoy (%)
Takaful revenue	343	370	350	-2	-7	343	350	-2
Takaful expenses	(339)	(377)	(350)	-3	-10	(339)	(350)	-3
Claims & other service exp	*(175)*	*(152)*	*(204)*	*-15*	*15*	*(175)*	*(204)*	*-15*
Incurred surplus	*(35)*	*(115)*	*(23)*	*48*	*-70*	*(35)*	*(23)*	*48*
Acquisition CF exp	*(108)*	*(113)*	*(122)*	*-12*	*-5*	*(108)*	*(122)*	*-12*
Onerous contracts	*-*	*-*	*-*	*n.m.*	*n.m.*	*-*	*-*	*n.m.*
Others	*(22)*	*3*	*(1)*	*>500*	*<-500*	*(22)*	*(1)*	*>500*
Retakaful	(11)	(9)	(8)	29	18	(11)	(8)	29
Takaful service result	**(6)**	**(17)**	**(8)**	-28	-66	**(6)**	**(8)**	-28
Investment return	17	16	14	22	11	17	14	22
Net takaful finance exp	(6)	(7)	(6)	5	-9	(6)	(6)	5
Net takaful & inv result	**5**	**(8)**	**(0)**	<-500	-160	**5**	**(0)**	<-500
Other income/OPEX	0	0	0	-19	22	0	0	-19

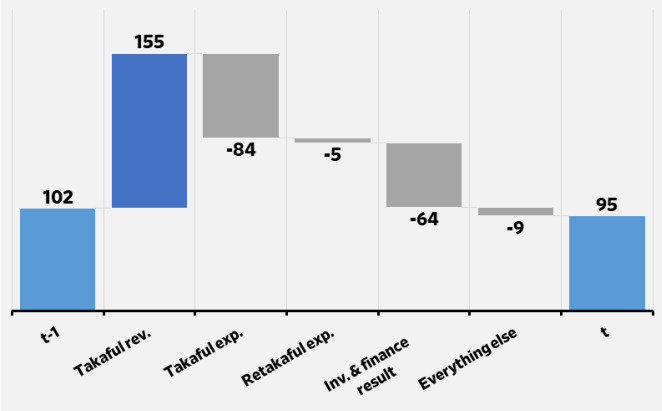
Source: Company, MIDFR

FIG 4: QoQ P/L walk (Quarterly results)



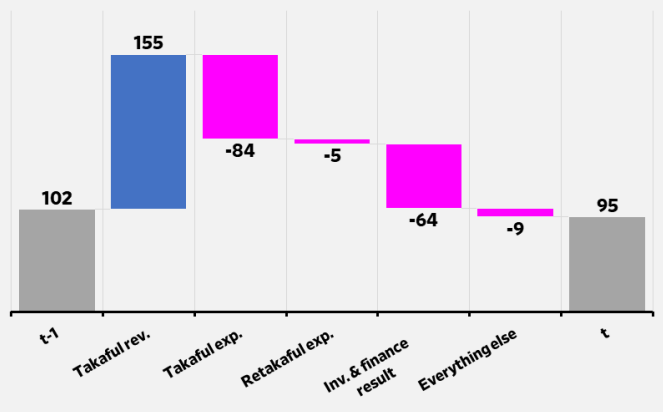
Source: Company, MIDFR

FIG 5: YoY P/L walk (Quarterly results)



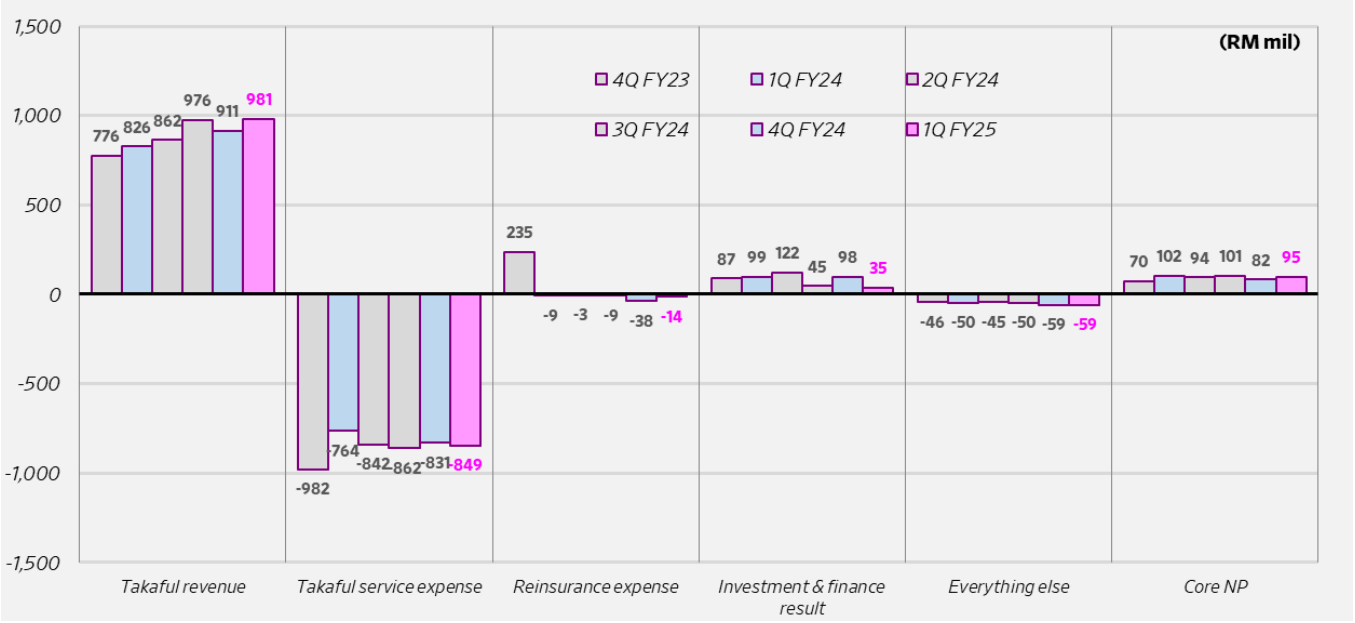
Source: Company, MIDFR

FIG 6: YoY P/L walk (Cumulative results)



Source: Company, MIDFR

FIG 7: QoQ P/L walk (Multiple Quarters)



Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Takaful revenue	2,942	3,576	4,199	4,918	5,766
Takaful service expenses	(2,839)	(3,294)	(3,864)	(4,533)	(5,323)
Retakaful expense	72	(59)	(40)	(45)	(51)
Takaful service result	**175**	**223**	**295**	**340**	**392**
Investment return	530	605	588	581	596
Net finance result	(190)	(241)	(253)	(265)	(278)
Total tak, inv & financial result	**515**	**587**	**630**	**656**	**710**
Other income	3	2	2	2	2
Other OPEX	(9)	(9)	(9)	(9)	(9)
PBT	**508**	**580**	**623**	**648**	**703**
Tax	(150)	(184)	(197)	(206)	(223)
Zakat	(10)	(13)	(13)	(13)	(13)
NCI	-	-	-	-	-
Reported NP	**347**	**383**	**412**	**430**	**467**
Core NP	**347**	**383**	**412**	**430**	**467**

BALANCE SHEET

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	851	650	650	650	650
Takaful & Retakaful contracts	1,759	2,302	2,463	2,636	2,820
Investment securities	9,260	10,574	11,314	12,106	12,953
Other assets	2,805	3,141	3,243	3,332	3,417
Total assets	**14,676**	**16,666**	**17,670**	**18,723**	**19,839**
Takaful & Retakaful contracts	12,586	14,317	15,036	15,790	16,583
Other liabilities	376	397	424	452	483
Total liabilities	**12,962**	**14,714**	**15,459**	**16,242**	**17,065**
Share capital	241	241	241	241	241
Reserves	1,438	1,676	1,935	2,205	2,498
NCI	35	34	34	34	34
Total equity	**1,714**	**1,951**	**2,211**	**2,481**	**2,774**
Total L&E	**14,676**	**16,666**	**17,670**	**18,723**	**19,839**

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Profitability (%)					
ROE	22.5	21.3	20.1	18.6	18.0
ROA	2.5	2.4	2.4	2.4	2.4
Combined ratio (%)	**69.5**	**71.4**	**72.7**	**72.4**	**72.1**
Claims & Expenses	71.9	69.8	71.8	71.5	71.2
Retakaful	-2.4	1.7	1.0	0.9	0.9
Growth (%)					
Takaful revenue	14.5	21.5	17.4	17.1	17.2
Takaful expense	20.3	16.0	17.3	17.3	17.4
Takaful service result	-15.2	27.6	32.4	15.2	15.3
PBT	12.0	14.2	7.4	4.1	8.4
Core NP	22.5	10.4	7.6	4.2	8.6
Valuation metrics					
Core EPS (sen)	39.8	43.9	47.3	49.3	53.5
Gross DPS (sen)	14.0	17.0	17.6	18.3	19.9
Div payout (%)	34	37	37	37	37
BVPS (RM)	2.0	2.2	2.5	2.8	3.2
Core P/E (x)	8.7	7.9	7.3	7.0	6.5
Div yield (%)	**4.0**	**4.9**	**5.1**	**5.3**	**5.7**
P/BV (x)	1.8	1.5	1.4	1.2	1.1

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