Corporate Update

LPI Capital Berhad

(8621 | LPI MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **BUY**

Revised Target Price **RM15.70**
(from RM15.25)

2QFY25 Results Review
A Stable Quarter

To Conclude	**Decent set of earnings, as forecasted.**
Our Verdict	**The prospect of special dividends remains the most exciting aspect of LPI, as its fundamental outlook seems unremarkable for now. Do be wary of a possible share price decline after the special dividend distribution.**
Valuations	**Current P/BV of 2.55x is inexpensive compared to the 10-year P/BV mean of 2.79x.** **LPI is now trading at a forward FY26F P/BV of 2.31x with a 6.0% dividend yield.**
Yays	1. Disposal of Public Bank shares implies a special dividend payout, though details on payout timings remain unclear. 2. Collaborative efforts between LPI and Public Bank could translate to higher cost savings and operating efficiency. 3. Possible investment income windfall in subsequent quarters.
Nays	1. High degree of competitiveness within the industry. 2. Milder residential mortgage loan growth could imply slower growth of higher-margin fire premiums.
Okays	1. GWP growth rate is similar to that of the wider industry.

Results in a nutshell:

► **6MFY25's Core NP of RM181m was *Within/Within* our/street forecasts: *47%/46%* of full-year forecasts.**

▲ **Dividends announced.** DPS of 30.0sen translates to a payout of 66% for 6MFY25. Do note that 30.0sen is the standard payout for interim dividends.

► **6MFY25's Core net profit (NP) of RM181m up by 1%yoy.** Increases in insurance revenue offset higher reinsurance expenses.

▼ **2QFY25's Core NP of RM83m down by -15%qoq.** This was largely dragged by higher insurance expenses and weaker investment returns, which offset improvements in reinsurance and insurance revenues.

▲ **6MFY25's GWP of RM1,028m grew by a solid 7%yoy while 2QFY25's figure of RM459m declined by a weak -19%qoq.** Keep in mind, last quarter was an exceptional quarter for growth, hence high base effects.

RETURN STATISTICS

Price @ 18 August 2025 (RM)	14.74
Expected share price return (%)	+6.5
Expected dividend yield (%)	+6.0
Expected total return (%)	**+12.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	2.1	-1.1
3 months	1.4	3.5
12 months	20.0	22.9

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**387**	**415**	**442**
CNP growth (%)	3	7	7
Div yield (%)	**5.6**	**6.0**	**6.4**
Gross DPS (sen)	82.5	88.5	94.4
P/BV (x)	**2.4**	**2.3**	**2.3**
BVPS (RM)	6.2	6.4	6.5
ROE (%)	**15.8**	**16.5**	**17.2**
% Street CNP (%)	**98**	**101**	**101**

KEY STATISTICS

FBM KLCI	1,584.96
Issue shares (m)	398.4
Estimated free float (%)	91.8
Market Capitalisation (RM'm)	5,935.9
52-wk price range	RM12.4 – RM15.3
3-mth average daily volume (m)	0.0
3-mth average daily value (RM'm)	0.7
Top Shareholders (%)	
Public Bank	44.2
Public Mutual Bhd	8.5
Sompo Holdings, Inc	4.7

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▼ **6MFY25's Combined ratio of 76.4% up +2.9%yoy.** The higher figure was largely due to higher claims and management expenses ratio.

▲ **2QFY25's Combined ratio of 75.2% down -2.4%qoq.** This was due to a lower claims ratio and better contribution from onerous contracts line.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Weaker premium growth, (2) Higher reinsurance charges, (3) Higher insurance expenses.*

Maintain BUY call: Revised GGM-TP of RM 15.70 ***(from RM15.25)***. The TP is based on a revised FY26F P/BV of 2.46x *(formerly 2.45x, rolled on from FY25F)*, to reflect altered earnings prospects and ROE-based valuations.
(GGM assumptions: *FY26F ROE of 16.5%, LTG of 4.0% & COE of 9.1%)*

FIG 1: Quarterly results

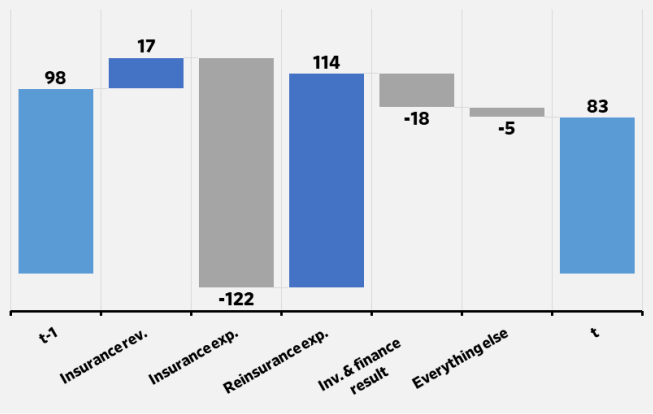
FYE Dec (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Insurance revenue	483	466	443	9	4	948	866	10
Insurance service expenses	(346)	(224)	(322)	8	54	(570)	(567)	1
Reinsurance expenses	(49)	(163)	(33)	49	-70	(213)	(123)	73
Insurance service result	**87**	**79**	**88**	**-1**	**11**	**166**	**176**	**-6**
Investment return	36	54	24	51	-34	90	75	19
Net finance result	(10)	(10)	(9)	7	-3	(20)	(18)	9
Net inv & financial result	**113**	**123**	**103**	**10**	**-8**	**236**	**233**	**1**
Other income	1	3	1	n.m.	n.m.	4	3	n.m.
OPEX and finance costs	(6)	(6)	(4)	n.m.	n.m.	(11)	(9)	n.m.
Associates	0	0	1	n.m.	n.m.	0	1	n.m.
PBT	**109**	**120**	**101**	**8**	**-10**	**229**	**228**	**0**
Tax	(25)	(22)	(23)	12	15	(47)	(49)	-2
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**83**	**98**	**78**	**7**	**-15**	**181**	**179**	**1**
Core NP	**83**	**98**	**78**	**7**	**-15**	**181**	**179**	**1**
Gross DPS (sen)	**30.0**	**-**	**30.0**	**n.m.**	**n.m.**	**30.0**	**30.0**	**n.m.**
Core EPS (sen)	20.9	24.6	19.6	7	-15	45.5	45.0	1

Ratios (%)	2Q FY25	1Q FY25	2Q FY24	Yoy (ppts)	Qoq (ppts)	1H FY25	1H FY24	Yoy (ppts)
ROE (Ann.)	**14.2**	**17.1**	**13.9**	**0.3**	**-2.9**	**15.4**	**16.0**	**-0.5**
Underwriting margin	**18.1**	**16.9**	**19.9**	**-1.9**	**1.2**	**17.5**	**20.4**	**-2.9**
Combined (As reported)	**75.2**	**77.6**	**73.6**	**1.6**	**-2.4**	**76.4**	**73.5**	**2.9**
Claims	43.9	45.7	44.3	-0.4	-1.8	44.8	42.2	2.6
Mgmt expenses	21.5	21.2	18.4	3.1	0.3	21.3	19.8	1.5
Commission	8.2	8.2	8.3	-0.1	0.0	8.2	8.4	-0.2
Net insurance finance cost	3.3	3.5	3.2	0.1	-0.2	3.4	3.2	0.2
Onerous contracts	(1.6)	(0.9)	(0.5)	-1.1	-0.7	(1.3)	-	-1.3

By Segment (RM m)	2Q FY25	1Q FY25	2Q FY24	Yoy (%)	Qoq (%)	1H FY25	1H FY24	Yoy (%)
Total GWP	**459**	**569**	**432**	**6**	**-19**	**1,028**	**964**	**7**
Fire	182	231	179	2	-21	413	389	6
Motor	114	122	102	12	-6	236	216	9
MAT	29	29	30	-2	-0	59	64	-8
Misc	133	187	121	10	-29	321	295	9
Total Ins. service result	**87**	**79**	**88**	**-1**	**11**	**166**	**176**	**-6**
Fire	56	40	62	-10	39	96	126	-24
Motor	2	19	8	-81	-92	21	7	191
MAT	3	1	(1)	-384	178	4	(1)	-344
Misc	20	18	19	5	10	38	45	-14

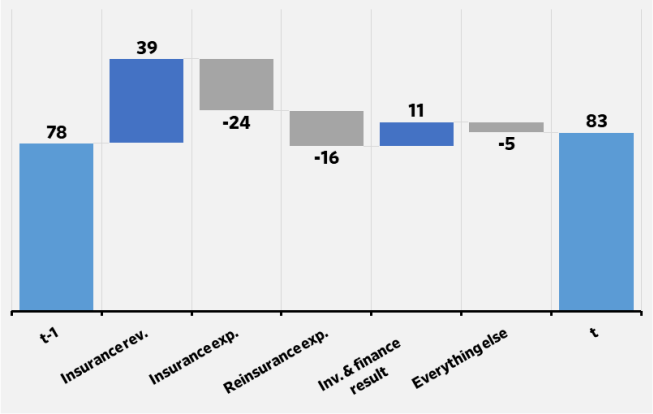
Source: Company, MBSBR

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



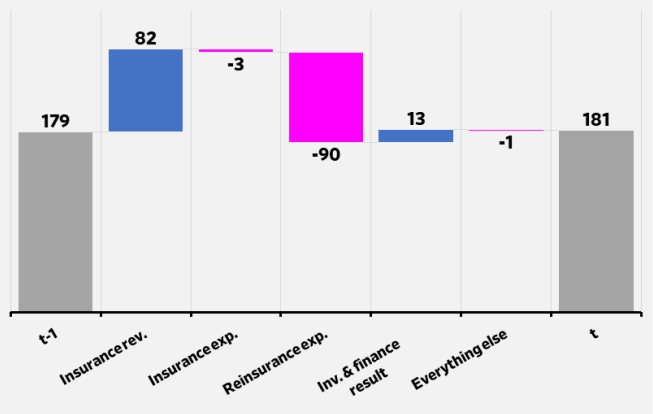
Source: Company, MBSBR

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



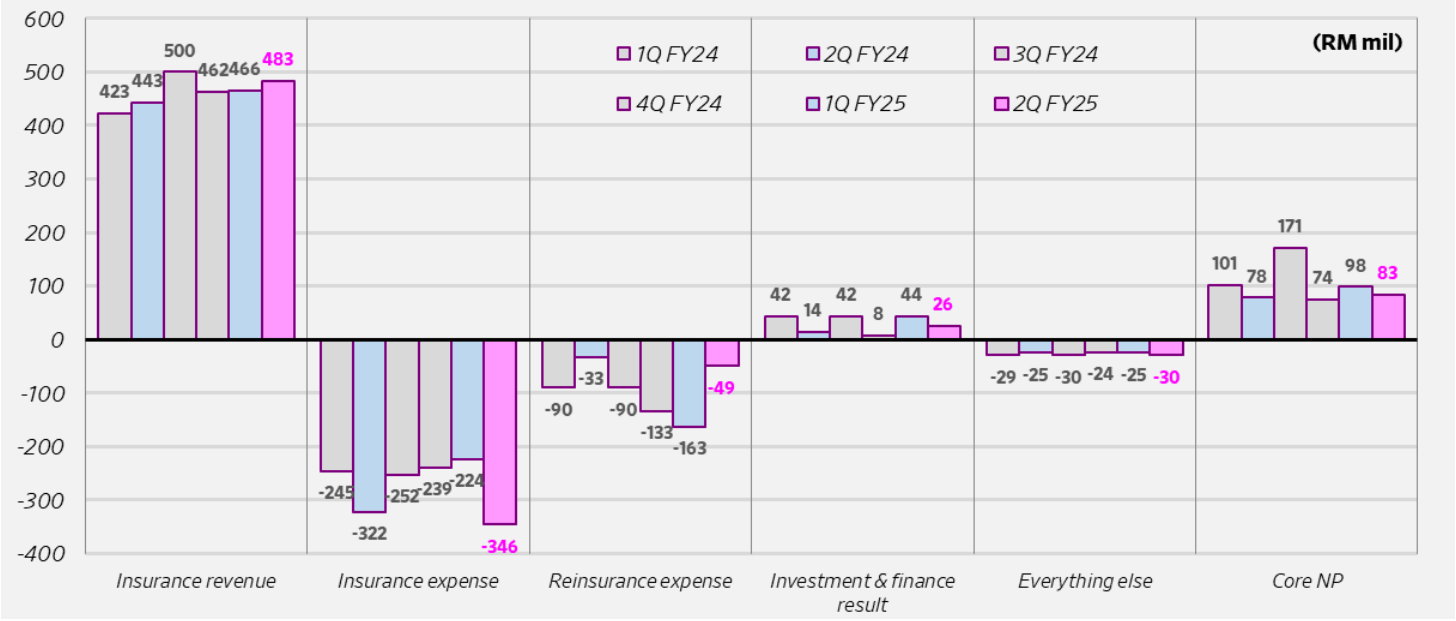
Source: Company, MBSBR

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



Source: Company, MBSBR

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

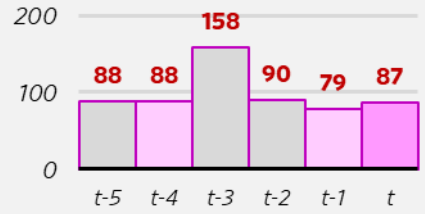


Source: Company, MBSBR

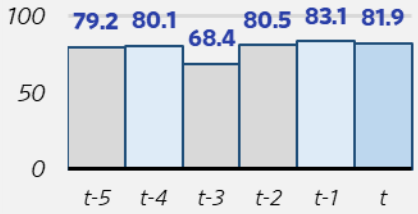
FIG 6: Quarterly Insurance Service Result Performance by Segment

1. Total Overall: ▶ Mediocre

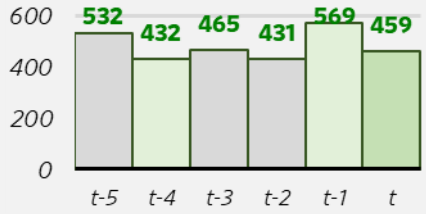
Insurance Service Result (RM m)



Combined Ratio (%)



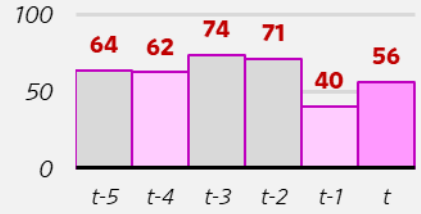
GWP (RM m)



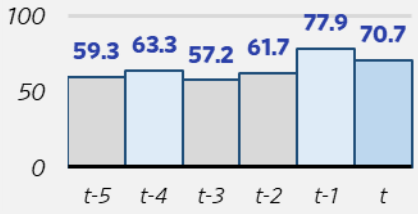
Commentary: Overall, a mediocre quarter with solid sequential year GWP growth. The stable combined ratio comprises a particularly high claims ratio (stemming from the fire and motor segment), but the impact was offset by a lower-than-usual reinsurance ratio.

2. Fire Overall: ▶ Mediocre

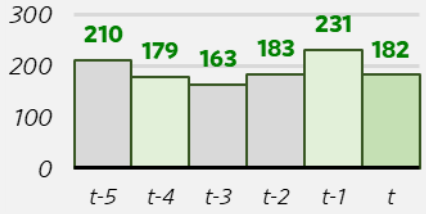
Insurance Service Result (RM m)



Combined Ratio (%)



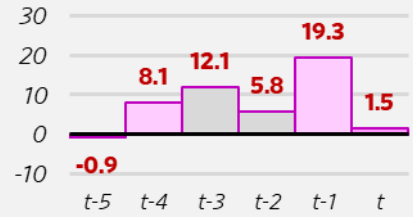
GWP (RM m)



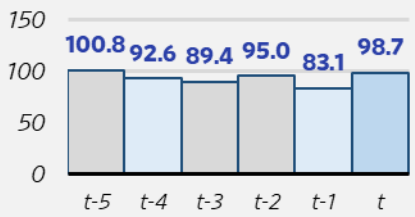
Commentary: A higher claims ratio resulted in a higher combined ratio, weighing down on the insurance service result.

3. Motor Overall: ▼ Weak

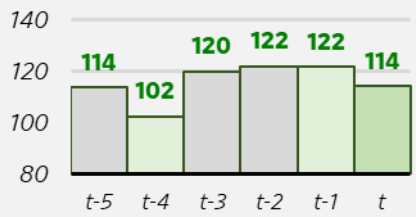
Insurance Service Result (RM m)



Combined Ratio (%)



GWP (RM m)

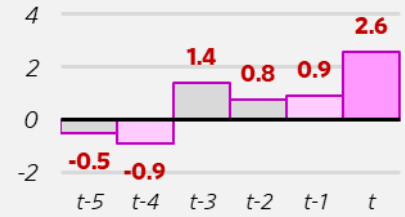


Commentary: Unfortunately, a combination of high claims and reinsurance ratios resulted in a very weak insurance service result.

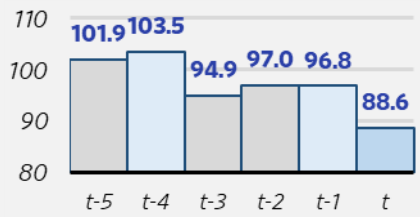
4. MAT

Overall: ▲Strong

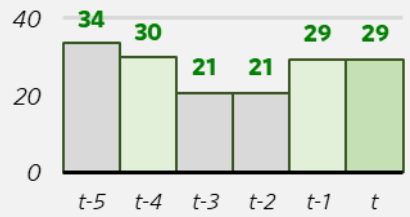
Insurance Service Result (RM m)



Combined Ratio (%)



GWP (RM m)

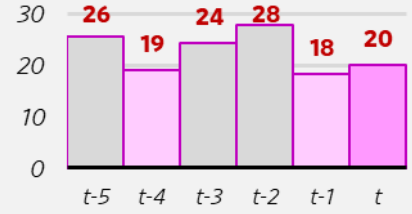


Commentary: A negative claims ratio provided some offset to a reinsurance ratio that was on the higher end.

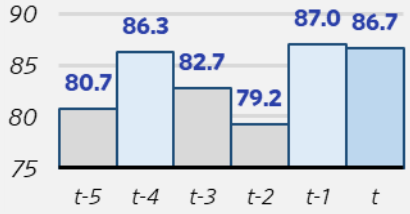
5. Misc

Overall: ► Mediocre

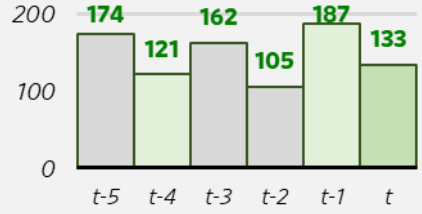
Insurance Service Result (RM m)



Combined Ratio (%)



GWP (RM m)

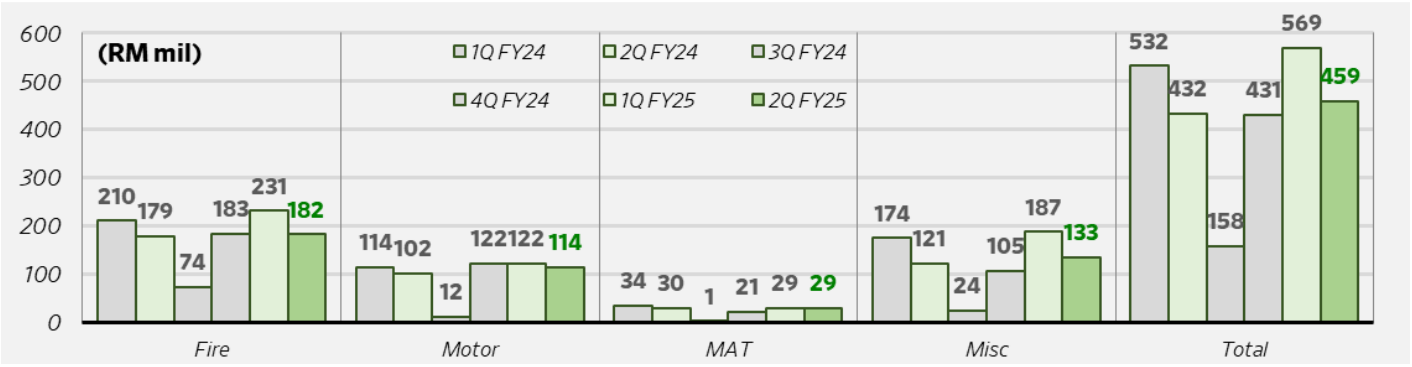


Commentary: Lower reinsurance charges provided some offset to a high claim's ratio.

Source: Company, MBSBR

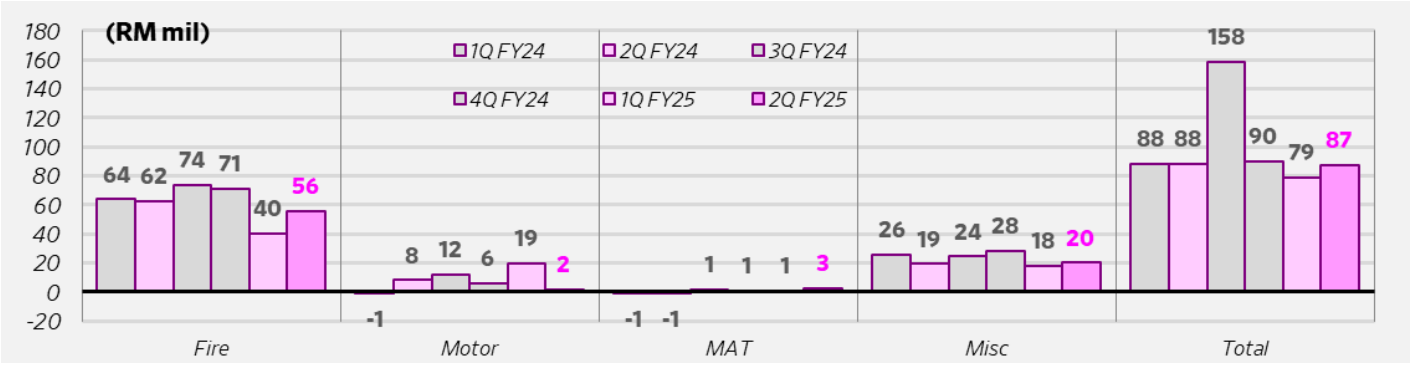
SEGMENTAL BREAKDOWN

FIG 7: GWP by Segment (Quarterly)



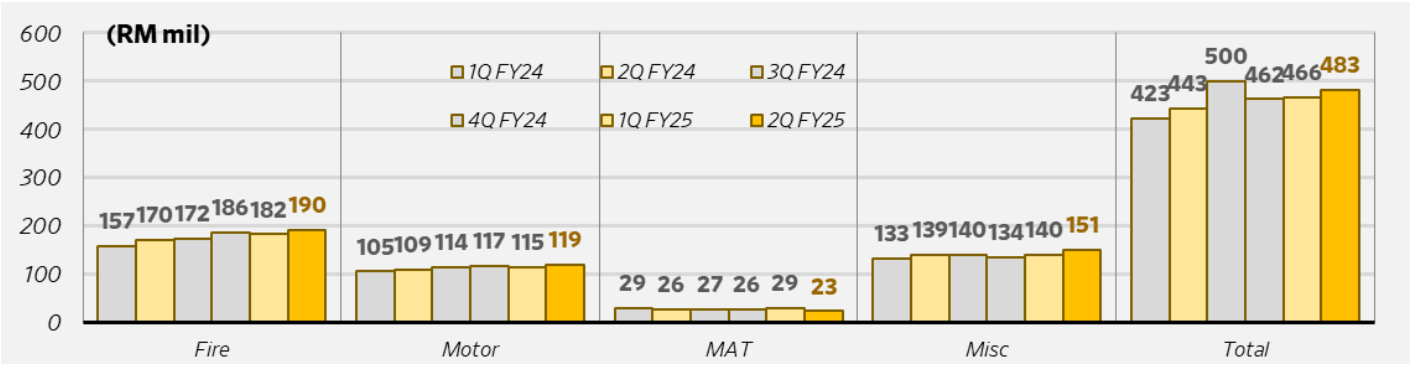
Source: Company, MBSBR

FIG 8: Insurance Service Result by Segment (Quarterly)



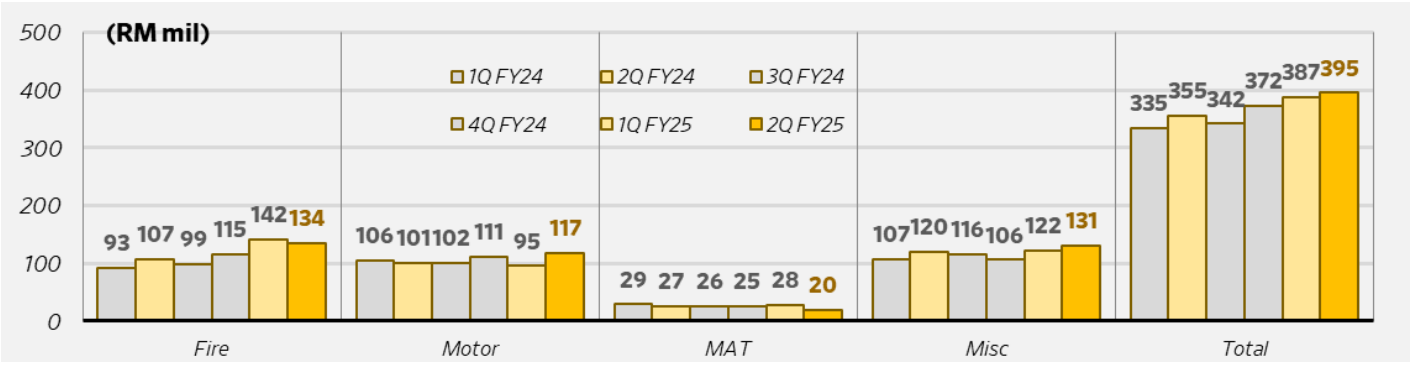
Source: Company, MBSBR

FIG 9: Insurance Revenue by Segment (Quarterly)



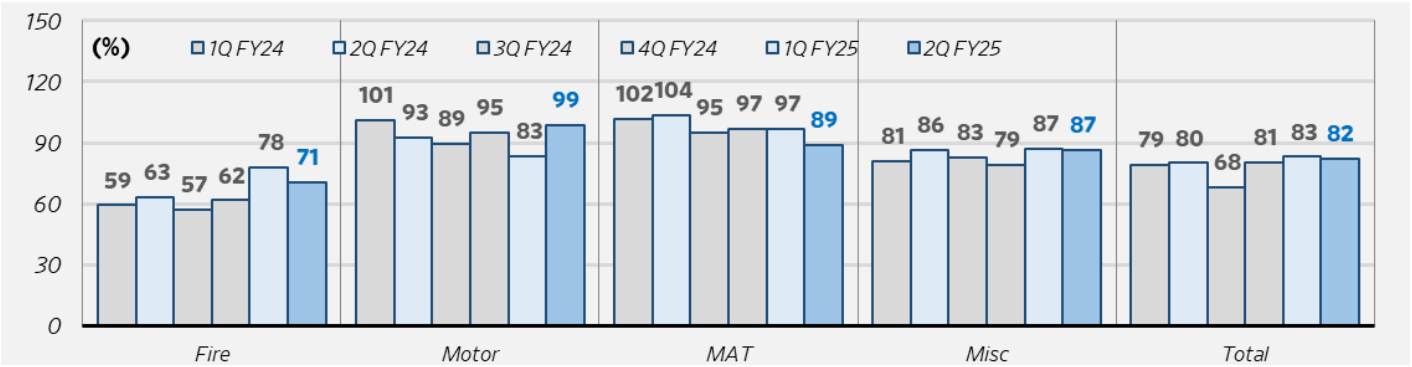
Source: Company, MBSBR

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



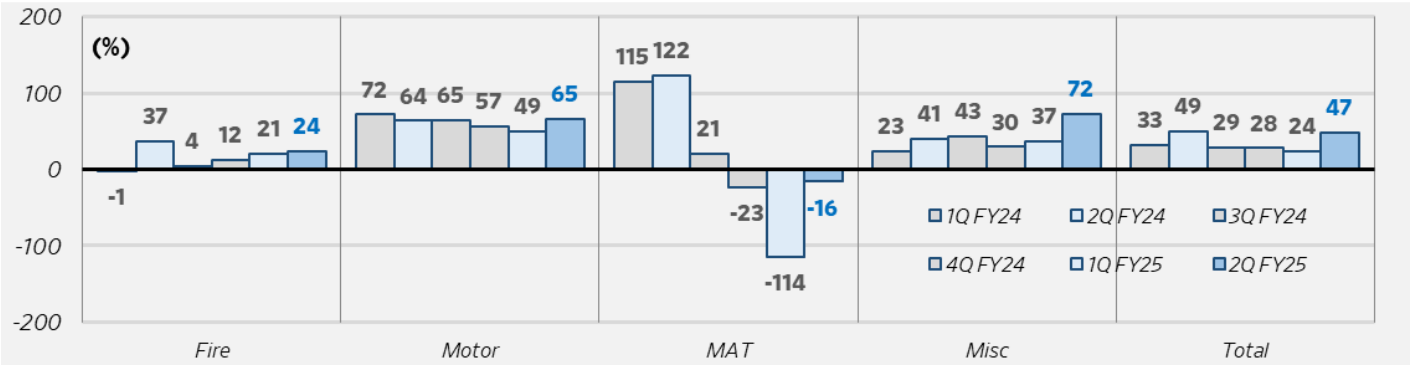
Source: Company, MBSBR

FIG 11: Combined ratio by Segment (Quarterly)



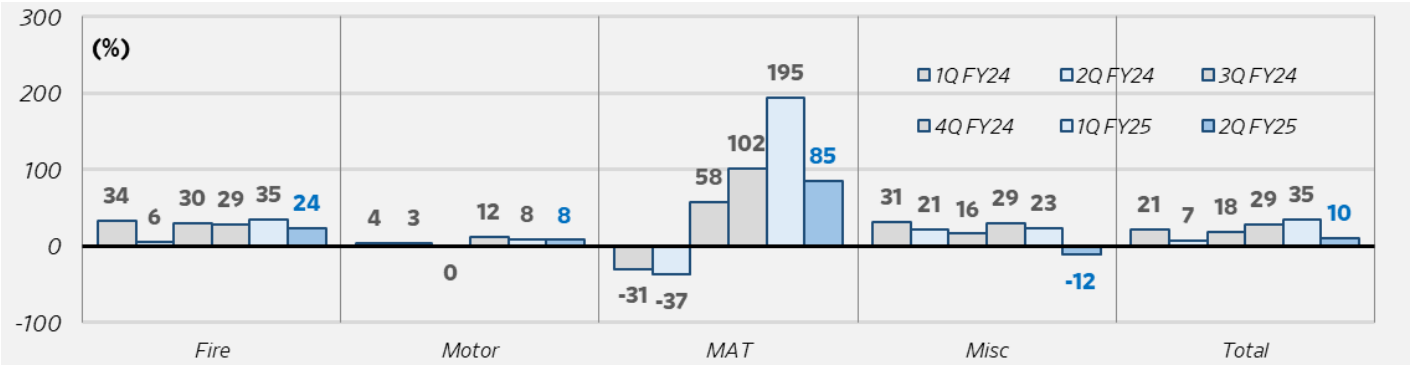
Source: Company, MBSBR

FIG 12: Claims ratio by Segment (Quarterly)



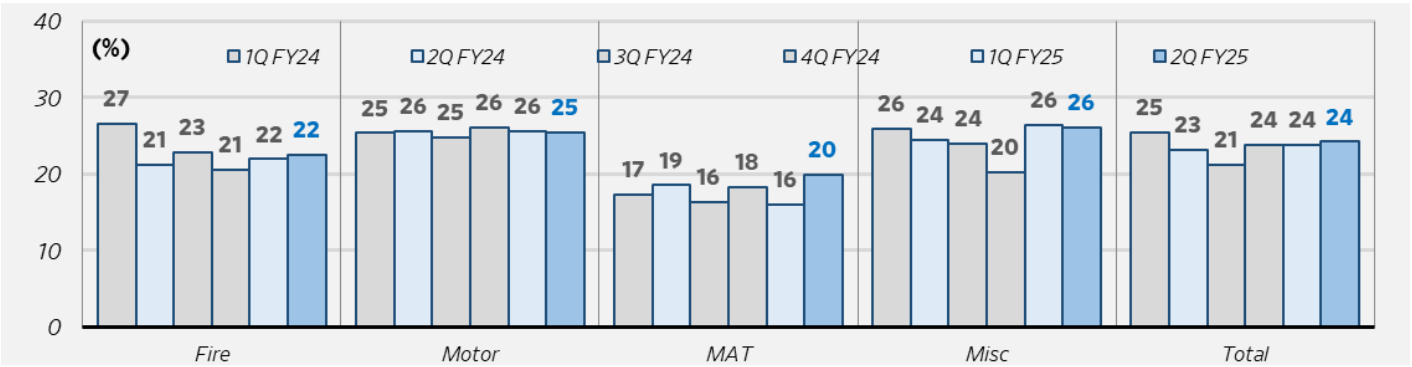
Source: Company, MBSBR

FIG 13: Reinsurance ratio by Segment (Quarterly)



Source: Company, MBSBR

FIG 14: Expense ratio by Segment (Quarterly)



Source: Company, MBSBR

FIG 15: Combined ratio (and components) by Segment

Ratio components (%)	1Q FY24	2Q FY24	3Q FY24	4Q FY24	1Q FY25	2Q FY25	1H FY24	1H FY25
Total (Reported)								
Combined ratio	**73.4**	**73.6**	**66.8**	**75.1**	**77.6**	**75.2**	**73.5**	**76.4**
Claims	40.1	44.3	35.8	41.5	45.7	43.9	42.2	44.8
Mgmt expenses	21.2	18.4	19.1	19.8	21.2	21.5	19.8	21.3
Commission	8.4	8.3	8.4	7.9	8.2	8.2	8.4	8.2
Net insurance finance cost	3.2	3.2	3.1	3.9	3.5	3.3	3.2	3.4
Onerous contracts	0.6	(0.5)	0.5	2.0	(0.9)	(1.6)	-	(1.3)
Total (Our estimates)								
Combined ratio	**79.2**	**80.1**	**68.4**	**80.5**	**83.1**	**81.9**	**79.6**	**82.5**
Claims	32.6	49.4	29.3	27.9	24.3	47.5	41.2	36.1
Reinsurance	21.2	7.5	17.9	28.9	35.0	10.2	14.2	22.4
Expense	25.4	23.1	21.1	23.8	23.8	24.2	24.3	24.0
Fire (Our estimates)								
Combined ratio	**59.3**	**63.3**	**57.2**	**61.7**	**77.9**	**70.7**	**61.4**	**74.2**
Claims	(1.0)	36.5	4.0	12.2	20.8	24.3	18.5	22.6
Reinsurance	33.7	5.5	30.3	28.9	35.2	23.9	19.0	29.4
Expense	26.6	21.2	22.9	20.6	21.9	22.4	23.8	22.2
Motor (Our estimates)								
Combined ratio	**100.8**	**92.6**	**89.4**	**95.0**	**83.1**	**98.7**	**96.6**	**91.1**
Claims	71.8	63.6	65.0	56.8	49.3	65.4	67.6	57.5
Reinsurance	3.7	3.4	(0.5)	12.0	8.3	7.9	3.6	8.1
Expense	25.3	25.5	24.8	26.1	25.5	25.4	25.4	25.5
MAT (Our estimates)								
Combined ratio	**101.9**	**103.5**	**94.9**	**97.0**	**96.8**	**88.6**	**102.7**	**93.2**
Claims	115.2	122.5	20.9	(23.2)	(114.0)	(16.2)	118.6	(71.1)
Reinsurance	(30.6)	(37.4)	57.6	101.9	194.9	84.8	(33.9)	146.6
Expense	17.3	18.5	16.3	18.3	16.0	19.9	17.9	17.7
Misc (Our estimates)								
Combined ratio	**80.7**	**86.3**	**82.7**	**79.2**	**87.0**	**86.7**	**83.6**	**86.8**
Claims	23.4	40.5	42.8	29.5	37.2	72.2	32.2	55.4
Reinsurance	31.4	21.3	16.0	29.4	23.5	(11.7)	26.2	5.3
Expense	25.9	24.4	23.9	20.2	26.4	26.1	25.1	26.2

Source: Company, MBSBR

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**

Source: Company, MBSBR

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)	18.7	15.6	15.2	14.1	13.3
Div yield (%)	**4.5**	**5.4**	**5.6**	**6.0**	**6.4**
P/BV (x)	2.6	2.4	2.4	2.3	2.3

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MBSB INVESTMENT BANK (formerly known MIDF 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