Corporate Update

Syarikat Takaful Malaysia Keluarga Berhad

(6139 | STMB MK) Financial Services | Finance

FTSE4Good | 3 Stars | SHARIAH Compliant

Maintain **BUY**

Revised Target Price **RM3.70**
(from RM4.11)

Temporary Rough Patch

Our Verdict	**Although STMB has hit a rough patch, we are confident in its long-term prospects, especially after its General portfolio rebalancing. STMB remains attractive due to its solid dividend yields and inexpensive valuations.**
Valuations	**A revised FY26F P/BV of 1.83x *(formerly 1.99x)*** Current P/BV of 1.18x is inexpensive, trading nearly -2SD of the 5-year P/BV mean of 1.88x. The company is currently trading at a forward FY26F P/BV of 1.52x with a 5.1% dividend yield.
Yays	1. Healthy dividends of >5%. 2. Declines in MGS yields imply an investment income windfall. 3. Attractive valuations.
Nays	1. Weak General segment growth in the near term, as rebalancing activities persist. 2. Elevated tax rate – though there is a possibility that this can be appealed, resulting in a large writeback.
Okays	1. No further bancassurance tie-ups expected in the near term – hence no costly post-access fee payments. 2. Family segment is forced to prioritise personal financing instead of housing products, which could affect subsequent GWP growth. While we expect GWP growth to remain solid, STMB may not steal market share as aggressively as before.

Have a look at:

▼ **STMB faces several headwinds:**

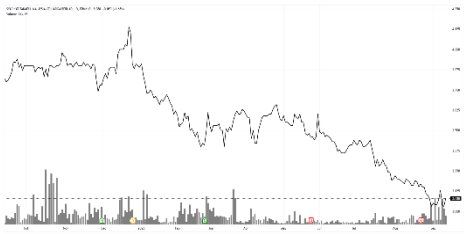
1. **SST charges on Family bancatakaful commissions.** STMB will eventually be able to pass this to the customers, but BNM's interim measures make it difficult to hike premium prices. Hence, they expect an RM20m impact on earnings for at least two years, before being able to pass on costs. This only affects the Family side – the General segment is eligible for business-to-business (B2B) exemption from SST.

2. **Finance costs coming from its recent RM1.0b Tier 2 sukuk wakalah programme.** Post-access fee payment for the bancatakaful agreement renewal with RHB, STMB's capital adequacy ratio remains comfortably above 130%. STMB intends to issue RM500m for working capital purposes and investments in digital infrastructure. The expected coupon rate is <4%, translating to maiden finance costs of RM20m at most.

RETURN STATISTICS

Price @ 12 September 2025 (RM)	3.08
Expected share price return (%)	+20.1
Expected dividend yield (%)	+5.1
Expected total return (%)	**+25.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.5	-4.0
3 months	-9.7	-15.2
12 months	-18.9	-15.7

INVESTMENT STATISTICS

FYE Dec	FY25F	FY26F	FY27F
Core NP (RM m)	**366**	**372**	**392**
CNP growth (%)	(4)	2	5
Div yield (%)	**5.1**	**5.1**	**5.4**
Gross DPS (sen)	15.6	15.9	16.7
P/BV (x)	**1.4**	**1.5**	**1.3**
BVPS (RM)	2.2	2.0	2.3
ROE (%)	**19.4**	**20.8**	**21.2**
% Street CNP (%)	**99**	**98**	**97**

KEY STATISTICS

FBM KLCI	1,600.13
Issue shares (m)	837.3
Estimated free float (%)	54.1
Market Capitalisation (RM'm)	2,686.3
52-wk price range	RM3.01 – RM4.16
3-mth average daily volume (m)	0.4
3-mth average daily value (RM'm)	1.2
Top Shareholders (%)	
Lembaga Tabung Haji	30.8
EPF Board	18.7
Kumpulan Wang Persaraan Diperbadan	6.5

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3. **Higher effective tax rate, though it can be appealed.** STMB's 1HFY25 effective tax rate was 35%, which is much higher than the standard >24% level. Management states that this is due to STMB's tax regime still being MFRS4-centric. It is trying to appeal to LHDN, and if successful, it could imply a significant one-time tax writeback of RM30m and a more normalised tax rate in the future. If unsuccessful, this elevated tax rate will persist indefinitely.

4. **Weaker General takaful growth, as management rebalances its portfolio.** General takaful GWP growth was on the milder side in 1HFY25, coming in at +5.1%yoy. Management guides for this weaker growth to persist as it continues to grow its higher margin non-motor book while reducing its motor exposure. In contrast, industry motor premium growth was high, and this largely drove general takaful premium growth in recent months.

5. **Life portfolio is hit by the new BNM regulation and seasonal impact.** A cap on mortgage refinancing tenures could impact GWP growth, as housing products become less attractive. Regardless, management is confident in its ability to pivot to personal financing products, which have similar yields. We think STMB will still be able to maintain a solid Family GWP growth rate – however, just not as strong as before. Also expect the return in the monsoon season to result in higher claims/reinsurance expenses.

Forecasts revised: FY25F/26F/27F Core NP adjusted by -7%/-8%/-7%. To reflect a higher tax rate and weaker GWP growth.
Key downside risks. *(1) Economic slowdown leads to weaker growth, (2) Higher-than-expected claims and reinsurance charges, (3) The recurrence of floods during the monsoon season.*

Maintain BUY call: Revised GGM-TP of RM 3.70 ***(from RM4.11).*** The TP is based on a revised FY26F P/BV of 1.83x *(formerly 1.99x)*, to reflect altered earnings prospects and ROE-based valuations. Despite the headwinds, we opine that STMB will be able to moderate the impact of these headwinds. We are confident of its long-term prospects, especially after its General portfolio rebalancing. In addition, STMB remains attractive due to its solid dividend yields and inexpensive valuations. Hence, we maintain our **BUY** call despite the headwinds.

(GGM assumptions: *FY26F ROE of 20.8%, LTG of 4.0% & COE of 13.2%)*

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Takaful revenue	2,942	3,576	4,004	4,475	5,094
Takaful service expenses	(2,839)	(3,294)	(3,710)	(4,131)	(4,706)
Retakaful expense	72	(59)	(38)	(40)	(45)
Takaful service result	**175**	**223**	**256**	**303**	**342**
Investment return	530	605	588	593	583
Net finance result	(190)	(241)	(253)	(265)	(278)
Total tak, inv & financial result	**515**	**587**	**592**	**631**	**647**
Other income	3	2	2	2	2
Other OPEX	(9)	(9)	(19)	(49)	(49)
PBT	**508**	**580**	**575**	**584**	**600**
Tax	(150)	(184)	(192)	(196)	(192)
Zakat	(10)	(13)	(16)	(16)	(16)
NCI	-	-	-	-	-
Reported NP	**347**	**383**	**366**	**372**	**392**
Core NP	**347**	**383**	**366**	**372**	**392**

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	3,215	3,292	3,371
Total assets	**14,676**	**16,666**	**17,642**	**18,683**	**19,794**
Takaful & Retakaful contracts	12,586	14,317	15,036	15,790	16,583
Other liabilities	376	397	725	1,127	1,200
Total liabilities	**12,962**	**14,714**	**15,760**	**16,918**	**17,782**
Share capital	241	241	241	241	241
Reserves	1,438	1,676	1,606	1,490	1,736
NCI	35	34	34	34	34
Total equity	**1,714**	**1,951**	**1,881**	**1,765**	**2,012**
Total L&E	**14,676**	**16,666**	**17,642**	**18,683**	**19,794**

Source: Company, MBSBR

FINANCIAL RATIOS

FYE Dec (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Profitability (%)					
ROE	22.5	21.3	19.4	20.8	21.2
ROA	2.5	2.4	2.1	2.0	2.0
Combined ratio (%)	**69.5**	**71.4**	**73.2**	**72.4**	**72.2**
Claims & Expenses	71.9	69.8	72.3	71.5	71.3
Retakaful	-2.4	1.7	0.9	0.9	0.9
Growth (%)					
Takaful revenue	14.5	21.5	12.0	11.7	13.8
Takaful expense	20.3	16.0	12.6	11.4	13.9
Takaful service result	-15.2	27.6	15.1	18.1	13.0
PBT	12.0	14.2	-0.9	1.6	2.8
Core NP	22.5	10.4	-4.4	1.7	5.4
Valuation metrics					
Core EPS (sen)	39.8	43.9	42.0	42.7	45.0
Gross DPS (sen)	14.0	17.0	15.6	15.9	16.7
Div payout (%)	34	37	37	37	37
BVPS (RM)	2.0	2.2	2.2	2.0	2.3
Core P/E (x)	7.7	7.0	7.3	7.2	6.8
Div yield (%)	**4.5**	**5.5**	**5.1**	**5.1**	**5.4**
P/BV (x)	1.6	1.4	1.4	1.5	1.3

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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