Corporate Update

Allianz Malaysia Berhad

(1163 | ALLZ MK) Financial Services | Finance

FTSE4Good ESG 4 Stars

Maintain **BUY**

Unchanged Target Price **RM23.74**

Solid Momentum Persists

Salient Points

Management's tone: Optimistic

Expect: More discussion on base MHIT products in future.

Our Verdict

The Group remains highly optimistic on its fundamental outlook and should maintain its excellent growth performance for both AGIC and ALIM. However, dividend certainty is becoming an issue.

Valuations

An unchanged SOTP-TP of RM 23.74

AGIC: FY26F P/BV of 1.4x

ALIM: FY26F P/CE of 0.6x

Current P/BV of 0.64x is inexpensive, trading near -1SD of the 10-year P/BV mean of 0.76x.

Themes

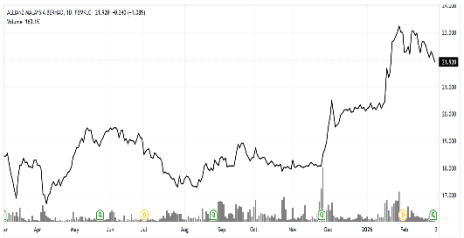
1. ▲ AGIC to maintain its aggressive growth, capitalising on economies of scale and market leader position. The Group is committed to growing its non-motor market share.
2. ▲ ALIM has seen tremendous growth recovery, particularly in employee benefits and investment-linked product sales. It continues to invest heavily in all methods of distribution.
3. ▲ ALIM has been managing healthcare inflation very well, with its health loss ratios showing considerable improvement from last year. Solid take-up in co-pay products should help maintain this excellent performance.
4. ▼ ALLZ's final dividend has yet to be approved, as its high level of growth may put some pressure on solvency. Management does not want to confirm the likelihood of a smooth approval but reiterates that its interim dividend has already met ALLZ's 30% payout target.

Key takeaways from yesterday's briefing

▲ **Still some dividend uncertainty.** ALLZ have only released dividends for 9MFY25 so far, with the final dividends still subject to approvals from regulators. The main concern is solvency, given the Group's high rate of growth. Management refrains from offering certainty, but states that even if approval is not met, they would have already met their 30% dividend policy goal for the year.

RETURN STATISTICS	
Price @ 2 March 2026 (RM)	21.92
Expected share price return (%)	+8.3
Expected dividend yield (%)	+4.1
Expected total return (%)	**+12.4**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	6.2	4.2
3 months	12.7	15.3
12 months	21.7	10.5

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**954**	**972**	**1,040**
CNP growth (%)	(1)	2	7
Div yield (%)	**4.1**	**4.1**	**4.4**
Gross DPS (sen)	89.0	90.7	97.1
P/BV (x)	**1.1**	**1.0**	**0.9**
BVPS (RM)	20.0	21.8	23.8
ROE (%)	**14.5**	**13.5**	**13.2**

KEY STATISTICS	
FBM KLCI	1,700.21
Issue shares (m)	178.7
Estimated free float (%)	31.9
Market Capitalisation (RM'm)	4,175.2
52-wk price range	RM16.5 – RM23.3
3-mth average daily volume (m)	0.1
3-mth average daily value (RM'm)	2.8
Top Shareholders (%)	
Allianz SE	63.8
EPF Board	6.6
Kumpulan Wang Persaraan Diperbadan	3.2

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▲ **AGIC's non-motor portfolio to take central focus.** The Group remains optimistic on non-motor growth, with its FY25 GWP growth outpacing the industry. With the Group having already met its 15% market share target for general insurance, it is no longer as focused on growing it further, though management still makes a point to capture non-motor market share.

FY25 was a good year despite rising competition, as fewer floods led to a superior combined ratio of <90%. The Group notes that the Middle East shutdown may cause a slight prickle in their travel insurance segment, even though AGIC is not obliged to cover losses in the event of a war.

▲ **Still too early to gauge the impact of base MHIT products, but any negative impact is likely to be minimal.** The Group points out that only a small proportion of the pre-existing customer base is interested in base products. This is because ALLZ's target customers are of fairly decent socioeconomic status and are thus unlikely to be satisfied by base products' weaker limits. ALLZ is hopeful that ongoing discussions with MOH will lead to further cost restrictions of hospital to ensure the sustainability of such products. These should lead to a wider reset in managing hospital/customer behaviour.

▲ **ALIM's growth momentum to persist is picking up.** Growth has ramped up once again (in large part due to better market performance driving investment-linked product sales), with the Group also intending to further develop distribution channels. So far, ALLZ's partnership with HSBC continues to deliver bancassurance benefits. However, agency sales were slightly impacted by negative insurance press coverage on claims.

► **CSM mildly impacted by conversion to co-pay products.** This has led to the CSM release being higher than the value of new business. However, this should provide long-term benefits in the form of lower claims and thus better margins. Unfortunately, due to the nature of the product, faster growth in the EB segment does not impact CSM release that much. In FY26, the Group's new business margin is slated to improve.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Economic slowdown leads to weakened growth, (2) Higher-than-expected claims, (3) Further regulatory hurdles.*

Maintain BUY call: Unchanged SOTP-TP of RM 23.74 ***(from RM23.74)***. This is to reflect altered earnings prospects and valuations.

(1) **For AGIC, we use a FY26F P/BV of 1.4x.**
(2) **For ALIM, we use an FY26F P/CE of 0.6x.**

FIG 1: SOTP Valuation

Companies	Equity Value (RM mil)	Equity Value basis	Multiple (X)	Valuation basis	Valuation (RM mil)
AGIC	**3,384**	FY26 P/BV	**1.4**	P/BV	**4,738**
ALIM	**5,696**	FY26F P/CE	**0.6**	P/CE	**3,418**
Total sum-of-parts					**8,155**
(÷) Diluted ALLZ Share Base (mil)					344
Fair value (RM)					**23.74**

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Insurance revenue	5,651	6,237	6,821	7,462	8,163
Insurance service expenses	(4,553)	(4,989)	(5,562)	(6,085)	(6,656)
Reinsurance expense	(280)	(279)	(319)	(351)	(386)
Insurance service result	**818**	**969**	**940**	**1,026**	**1,120**
Investment return	1,577	1,058	1,112	1,080	1,104
Net finance result	(1,177)	(660)	(676)	(708)	(742)
Total ins, inv & financial result	**1,218**	**1,367**	**1,376**	**1,398**	**1,482**
Other income	5	26	11	11	11
Other OPEX	(217)	(228)	(228)	(228)	(228)
Associates	-	-	-	-	-
PBT	**1,005**	**1,166**	**1,160**	**1,181**	**1,265**
Tax	(235)	(207)	(206)	(210)	(224)
NCI	-	-	-	-	-
Reported NP	**771**	**959**	**954**	**972**	**1,040**
Core NP	**771**	**959**	**954**	**972**	**1,040**

BALANCE SHEET

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & ST funds	2,027	1,788	1,788	1,788	1,788
Investment securities	25,121	27,128	28,484	29,909	31,404
Other assets	1,341	1,579	1,571	1,745	1,938
Total assets	**28,488**	**30,495**	**31,843**	**33,441**	**35,130**
Insurance contracts	21,220	22,371	23,489	24,664	25,897
Other liabilities	1,440	1,837	1,448	1,240	1,020
Total liabilities	**22,660**	**24,208**	**24,937**	**25,904**	**26,917**
Share capital	241	256	256	256	256
Reserves	5,057	5,516	6,135	6,766	7,441
Total equity	**5,828**	**6,287**	**6,906**	**7,537**	**8,213**
Total L&E	**28,488**	**30,495**	**31,843**	**33,441**	**35,130**

Source: Company, MBSBR

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profitability (%)					
ROE	11.7	12.7	14.5	13.5	13.2
ROA	3.0	4.0	3.1	3.0	3.0
Combined ratio (%)	**85.5**	**84.5**	**86.2**	**86.2**	**86.3**
Claims	56.4	55.9	55.8	55.8	55.8
Expenses	24.2	24.1	25.7	25.7	25.7
Reinsurance	5.0	4.5	4.7	4.7	4.7
Growth (%)					
Insurance revenue	14.4	10.4	9.4	9.4	9.4
Insurance expense	16.9	9.6	11.5	9.4	9.4
Insurance service result	0.2	18.5	-3.0	9.2	9.2
Net ins & investment result	8.2	12.2	0.7	1.6	6.0
PBT	5.1	15.9	-0.5	1.9	7.1
Core NP	5.4	24.4	-0.5	1.9	7.1
Valuation metrics					
Core EPS (sen)	223.2	277.7	276.2	281.4	301.3
Gross DPS (sen)	89.5	89.5	89.0	90.7	97.1
Div payout (%)	40	32	32	32	32
BVPS (RM)	16.9	18.2	20.0	21.8	23.8
Core P/E (x)	9.8	7.9	7.9	7.8	7.3
Div yield (%)	**4.1**	**4.1**	**4.1**	**4.1**	**4.4**
P/BV (x)	1.3	1.2	1.1	1.0	0.9

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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