Corporate Update

LPI Capital Berhad

(8621 | LPI MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **NEUTRAL**

Revised Target Price **RM14.54**
(from RM15.42)

2QFY26 Results Review
Rising Claims amid Dividends

RETURN STATISTICS	
Price @ 13 August 2026 (RM)	15.08
Expected share price return (%)	-3.6
Expected dividend yield (%)	+10.1
Expected total return (%)	**+6.5**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.1	-0.3
3 months	1.1	5.4
12 months	3.7	-7.8

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**370**	**421**	**449**
CNP growth (%)	0	14	7
Div yield (%)	**13.4**	**10.1**	**6.4**
Gross DPS (sen)	202.2	152.1	95.8
P/BV (x)	**1.9**	**2.0**	**2.0**
BVPS (RM)	7.9	7.4	7.6
ROE (%)	**13.2**	**13.8**	**15.0**
% Street CNP (%)	**93**	**99**	**95**

KEY STATISTICS	
FBM KLCI	1,734.71
Issue shares (m)	398.4
Estimated free float (%)	81.4
Market Capitalisation (RM'm)	6,031.5
52-wk price range	RM14.1 – RM15.7
3-mth average daily volume (m)	0.1
3-mth average daily value (RM'm)	1.1
Top Shareholders (%)	
Public Bank	44.2
Public Mutual Bhd	8.5
Sompo Holdings, Inc	4.7

Salient Points

Weaker earnings than forecasted.

Expect: Earnings weakness to persist for now. While economic growth should drive GWP growth, the Group needs time to rebuild its investment portfolio and to manage rising claims amid short-term cost pressure.

Our Verdict

There are headwinds to earnings, but the prospect of special dividends should keep valuations buoyed. The economy is also performing stronger-than-expected, which lifts growth prospects. The main headwinds come in the form of higher motor claims (amid ongoing logistical disruptions) and weaker investment income (until it replaces the gap from the sale of its PBK shares).

Valuations

A revised FY27F P/BV of 1.96x *(formerly 2.07x)*

Current P/BV of 2.43x is trading under the 10-year P/BV mean of 2.71x. However, headwinds to earnings warrant a lower valuation.

The company is currently trading at a forward FY27F P/BV of 2.03x with a 10.1% dividend yield.

Themes

1. ▲ LPI remains a defensive pick, due to its high dividend yields and a virtually 100% single-premium mix, which allows easier pass-on of costs at a time of aggressive cost inflation.
2. ▲ Special dividends to keep yields and share price elevated for now.
3. ▲ Collaborative efforts between LPI and Public Bank should translate to higher cost savings and operational efficiency.
4. ▲ Despite weakness in some segments, GWP momentum remains steady, premised on strong economic prospects. The higher-margined Fire segment has grown very strongly over the last twelve months.
5. ▼ The Group needs some time to rebuild its investment portfolio, which could lead to investment weakness in the short term.
6. ▼ Logistical problems and elevated cost pressures should keep claims costs high, particularly for motor parts which are manufactured overseas.

Results in a nutshell:

▼ **6MFY26's Core NP of RM166m was *Below/Below* our/street forecasts: *42%/42%* of full-year forecasts.** While LPI's earnings tend to be stronger in the latter half of the year, its high claims ratio took us by surprise.

▲ **Dividends announced.** DPS of 90.0 sen translates to a payout of 215% for 6MFY26. In addition to the standard payout of 25.0 sen, the Group issued a special dividend of 65.0 sen. We expect a further special dividend of 65.0 sen in 4QFY26.

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► **6MFY26's Core net profit (NP) of RM166m down by -8%yoy.** The decrease was driven by higher insurance and reinsurance expenses, as well as weaker investment income. This offset the higher insurance revenue. The bigger threat to earnings was the decline in investment income as compared to insurance service revenue, which grew by a mild +3%yoy. Note that this improvement was largely driven by the fire segment; all other segments performed weaker as it was hit with higher combined ratios.

▼ **2QFY26's Core NP of RM67m down by -33%qoq.** The decrease was driven by higher insurance and reinsurance expenses, as well as weaker investment income. This offset higher insurance revenue.

► **6MFY26's GWP of RM1,070m grew by a softer 4%yoy while 2QFY26's figure of RM491m grew by a solid -15%qoq.** On a sequential year basis, Fire GWPs maintained its strong momentum, clocking in an impressive +12%yoy growth. The sequential quarter decline seen in all segments was due to seasonal effects (the second and fourth quarters usually report growth contraction).

▼ **6MFY26's Combined ratio of 77.0% up +0.6%yoy.** The increased combined ratio was largely due to the higher claims' ratio from the motor segment – though the fire segment should see a fair amount of improvement.

▼ **2QFY26's Combined ratio of 78.9% up +3.9%qoq.**

Forecasts revised: FY26F Core NP adjusted by -6%, to reflect higher claims, particularly from the motor segment. We also alter our dividend forecasts: Instead of a full release by FY26, we are now assuming that 2/3 of the RM737m special dividend payout will take place in FY26, and the remainder in 1HFY27.
Key downside risks. *(1) Further claims inflation, (2) Weaker-than-expected GWP growth, (3) Poor investment income results.*

Maintain NEUTRAL call: Revised GGM-TP of RM 14.54 ***(from RM15.42).*** The TP is based on a revised FY27F P/BV of 1.96x *(formerly 2.07x)*, to reflect altered earnings prospects and ROE-based valuations.
(GGM assumptions: *FY27F ROE of 13.8%, LTG of 4.0% & COE of 9.0%)*

FIG 1: Quarterly results

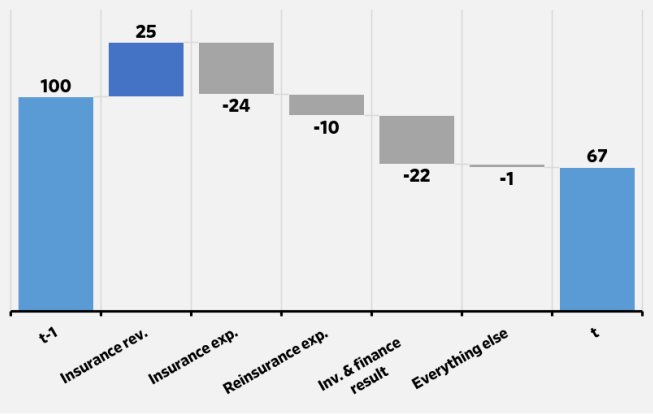
FYE Dec (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Insurance revenue	522	497	483	8	5	1,020	948	8
Insurance service expenses	(319)	(295)	(346)	-8	8	(614)	(570)	8
Reinsurance expenses	(122)	(112)	(49)	147	9	(234)	(213)	10
Insurance service result	**81**	**90**	**87**	**-7**	**-10**	**171**	**166**	**3**
Investment return	21	44	36	-41	-53	65	90	-27
Net finance result	(8)	(9)	(10)	-18	-11	(17)	(20)	-14
Net inv & financial result	**94**	**125**	**113**	**-17**	**-25**	**219**	**236**	**-7**
Other income	4	1	1	n.m.	n.m.	5	4	n.m.
OPEX and finance costs	(10)	(5)	(6)	n.m.	n.m.	(14)	(11)	n.m.
Associates	(0)	1	0	n.m.	n.m.	0	0	n.m.
PBT	**88**	**122**	**109**	**-19**	**-28**	**210**	**229**	**-8**
Tax	(21)	(23)	(25)	-17	-7	(44)	(47)	-8
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**67**	**100**	**83**	**-20**	**-33**	**166**	**181**	**-8**
Core NP	**67**	**100**	**83**	**-20**	**-33**	**166**	**181**	**-8**
Gross DPS (sen)	**90.0**	**-**	**30.0**	**n.m.**	**n.m.**	**90.0**	**30.0**	**n.m.**
Core EPS (sen)	16.8	25.0	20.9	-20	-33	41.8	45.5	-8

Ratios (%)	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	Qoq (ppts)	1H FY26	1H FY25	Yoy (ppts)
ROE (Ann.)	**10.8**	**16.7**	**14.2**	**-3.4**	**-5.9**	**13.5**	**15.4**	**-2.0**
Underwriting margin	**15.5**	**18.1**	**18.1**	**-2.5**	**-2.5**	**16.8**	**17.5**	**-0.7**
Combined (As reported)	**78.9**	**75.0**	**75.2**	**3.7**	**3.9**	**77.0**	**76.4**	**0.6**
Claims	46.6	44.5	43.9	2.7	2.1	45.6	44.8	0.8
Mgmt expenses	21.2	21.1	21.5	-0.3	0.1	21.1	21.3	-0.2
Commission	7.7	7.5	8.2	-0.5	0.2	7.6	8.2	-0.6
Net insurance finance cost	2.5	2.9	3.3	-0.8	-0.4	2.7	3.4	-0.7
Onerous contracts	0.9	(1.1)	(1.6)	2.5	2.0	-	(1.3)	1.3

By Segment (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Total GWP	**491**	**579**	**459**	**7**	**-15**	**1,070**	**1,028**	**4**
Fire	201	262	182	10	-23	463	413	12
Motor	126	127	114	11	-1	254	236	8
MAT	24	20	29	-18	21	44	59	-26
Misc	140	170	133	5	-18	309	321	-3
Total Ins. service result	**81**	**90**	**87**	**-7**	**-10**	**171**	**166**	**3**
Fire	77	63	56	38	21	140	96	46
Motor	(9)	3	2	<-500	-414	(6)	21	-128
MAT	(0)	2	3	-111	-111	2	4	-38
Misc	13	21	20	-34	-38	35	38	-10

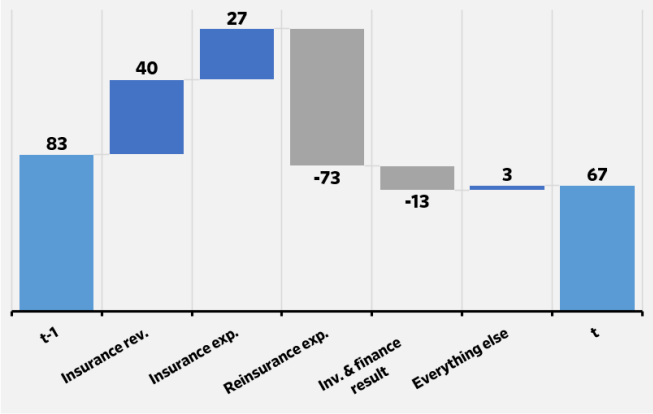
Source: Company, MBSBR

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



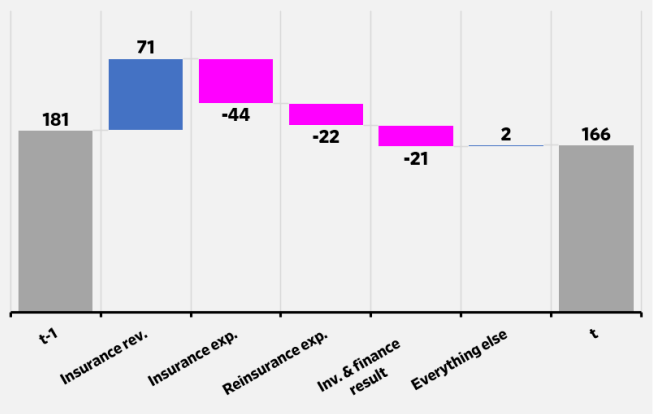
Source: Company, MBSBR

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



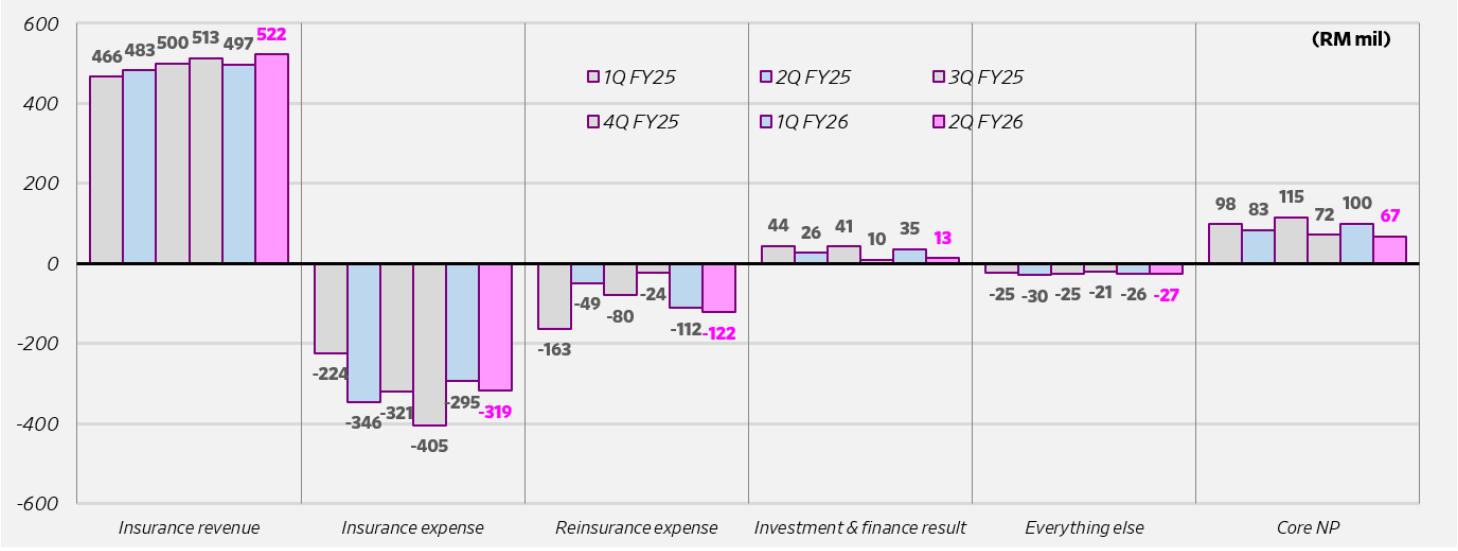
Source: Company, MBSBR

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



Source: Company, MBSBR

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

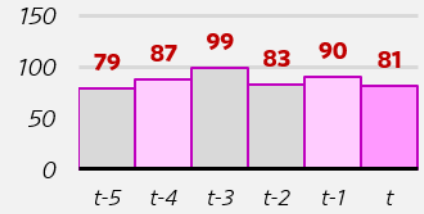


Source: Company, MBSBR

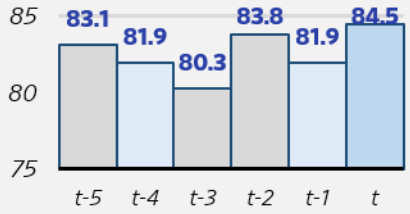
FIG 6: Quarterly Insurance Service Result Performance by Segment

1. Total — Overall: ► Mediocre

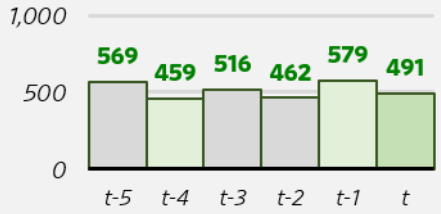
Insurance Service Result (RM m)



Combined Ratio (%)

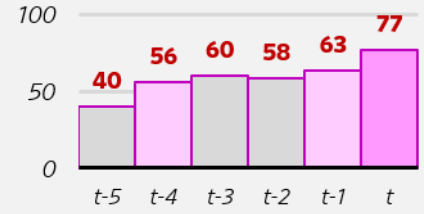


GWP (RM m)

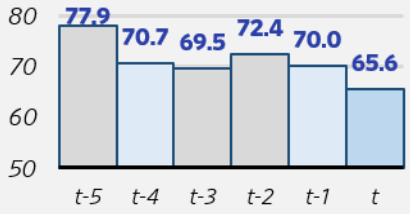


2. Fire — Overall: ▲Strong

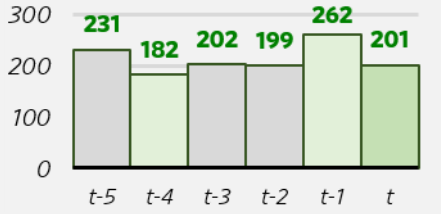
Insurance Service Result (RM m)



Combined Ratio (%)

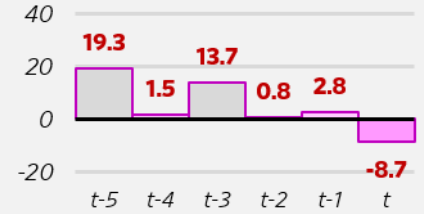


GWP (RM m)

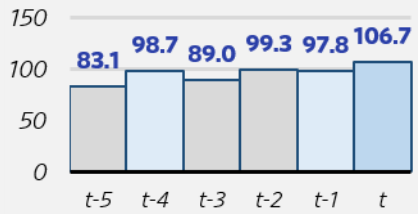


3. Motor — Overall: ▼ Weak

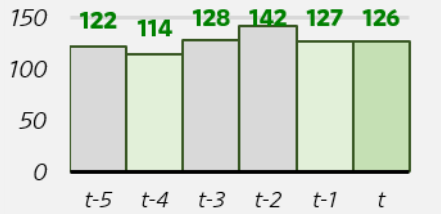
Insurance Service Result (RM m)



Combined Ratio (%)

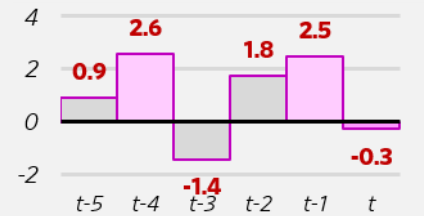


GWP (RM m)

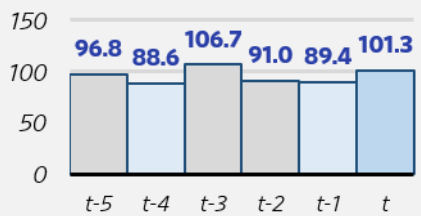


4. MAT — Overall: ▼ Weak

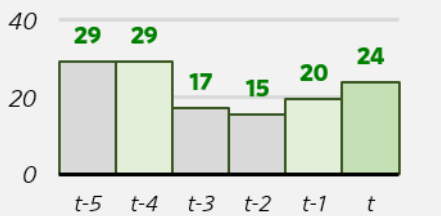
Insurance Service Result (RM m)



Combined Ratio (%)

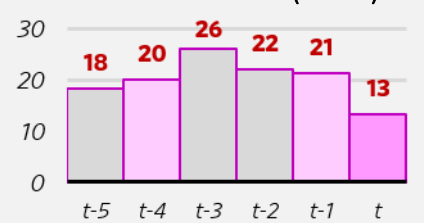


GWP (RM m)

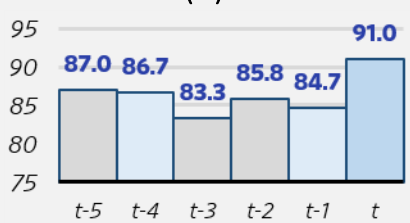


5. Misc — Overall: ▼ Weak

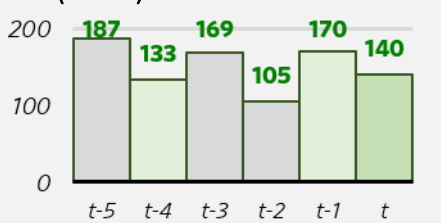
Insurance Service Result (RM m)



Combined Ratio (%)



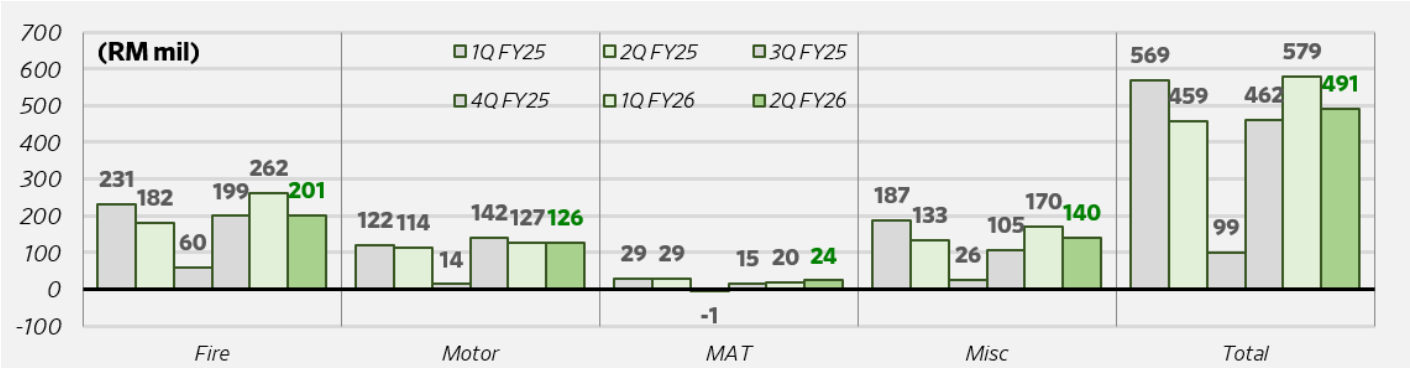
GWP (RM m)



Source: Company, MBSBR

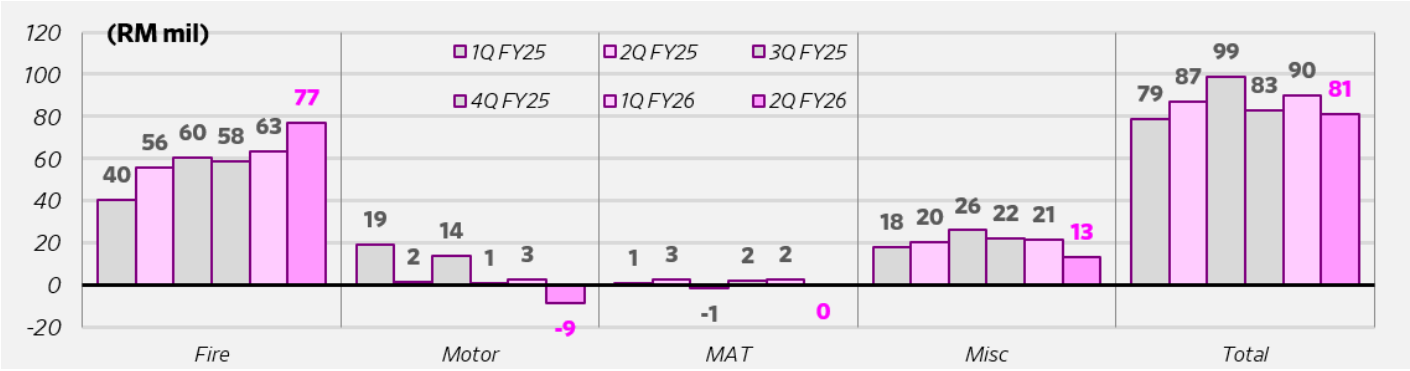
SEGMENTAL BREAKDOWN

FIG 7: GWP by Segment (Quarterly)



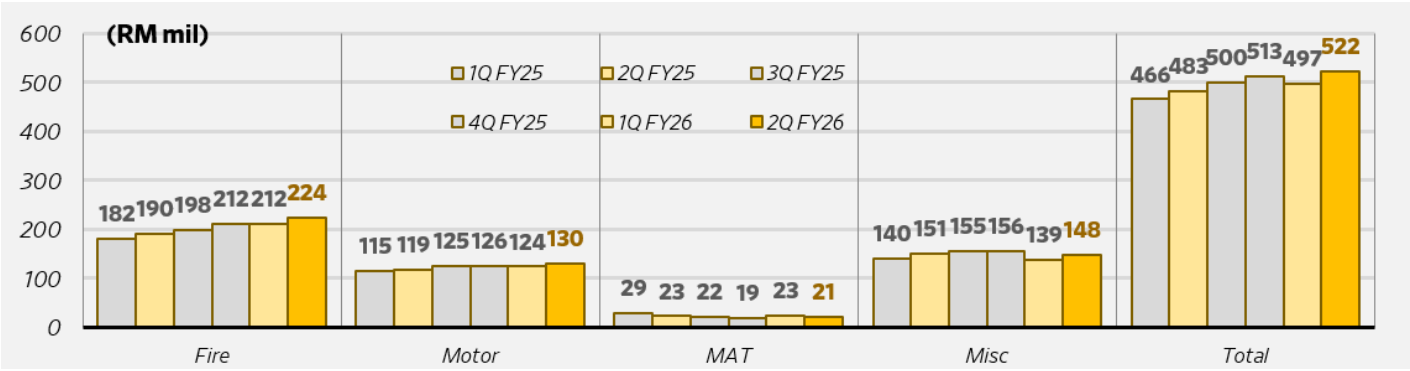
Source: Company, MBSBR

FIG 8: Insurance Service Result by Segment (Quarterly)



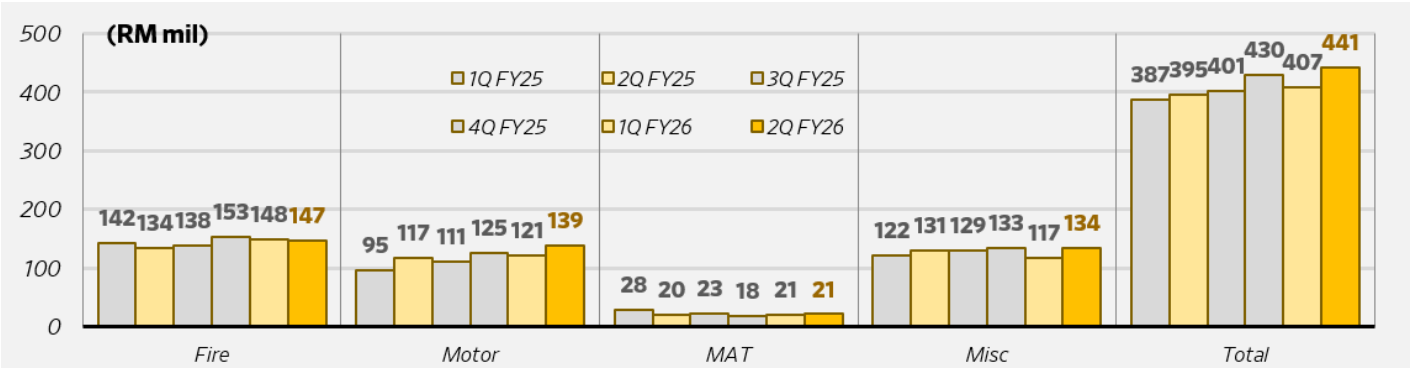
Source: Company, MBSBR

FIG 9: Insurance Revenue by Segment (Quarterly)



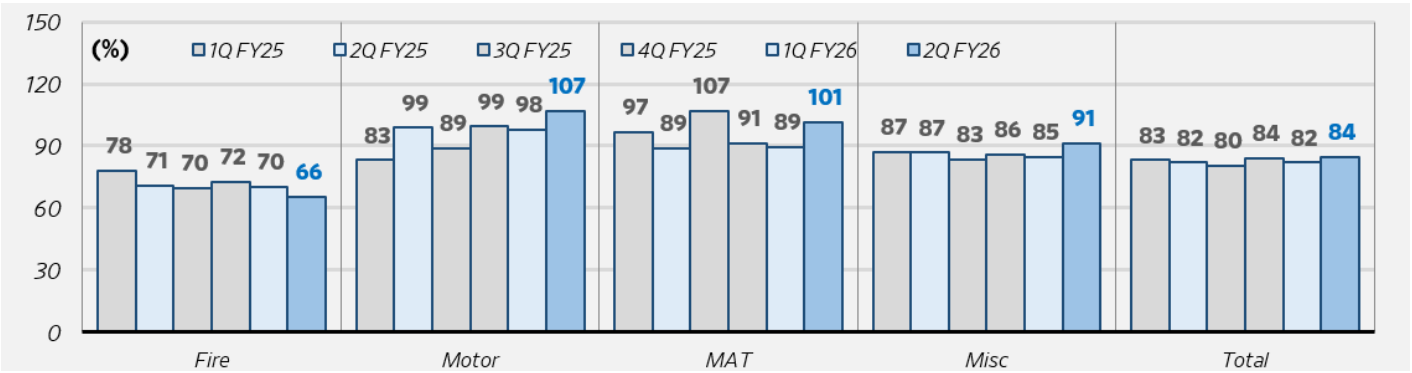
Source: Company, MBSBR

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



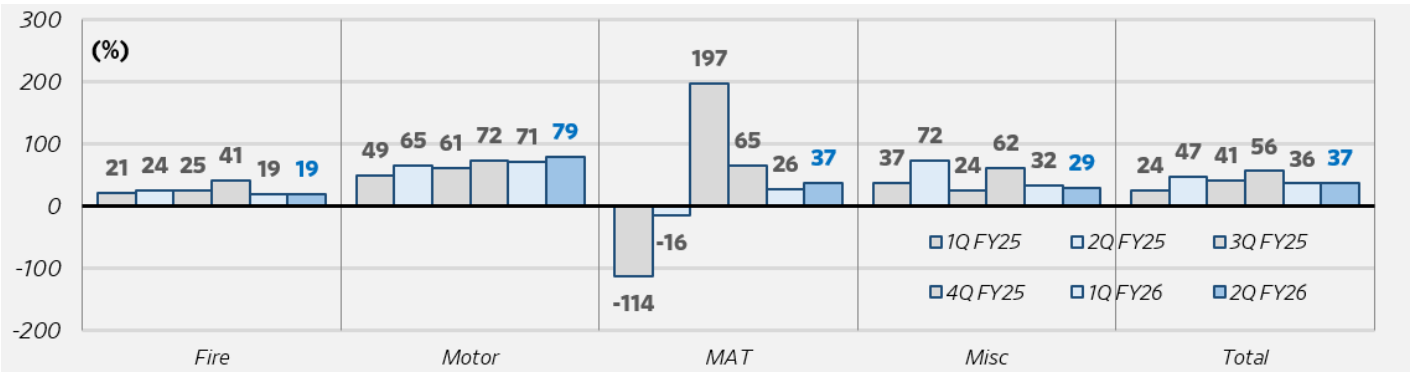
Source: Company, MBSBR

FIG 11: Combined ratio by Segment (Quarterly)



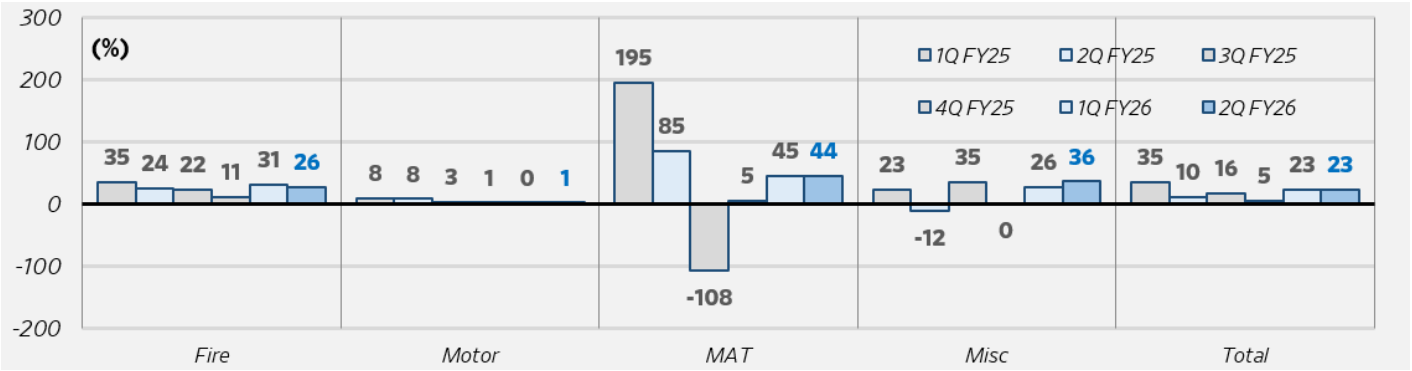
Source: Company, MBSBR

FIG 12: Claims ratio by Segment (Quarterly)



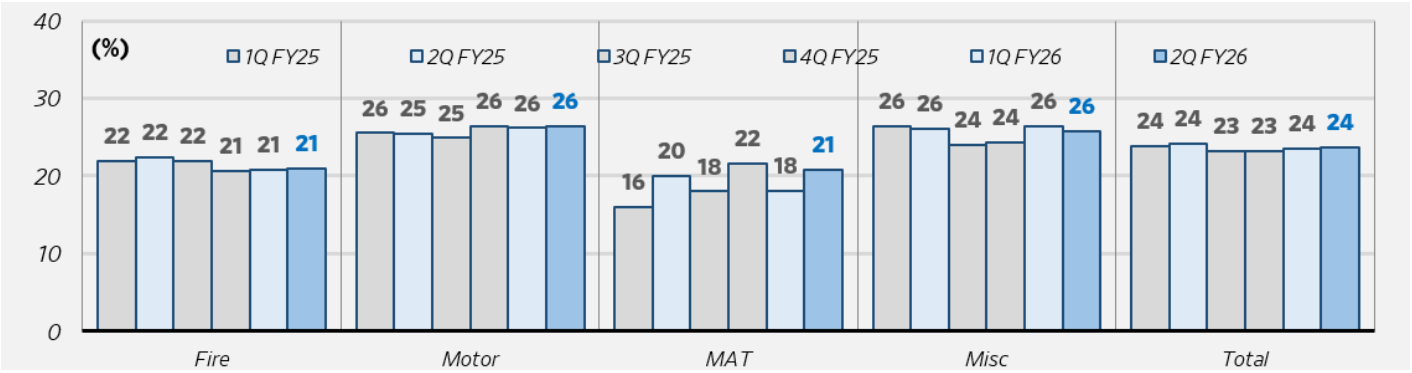
Source: Company, MBSBR

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 FY25	2Q FY25	3Q FY25	4Q FY25	1Q FY26	2Q FY26	1H FY25	1H FY26
Total (Reported)								
Combined ratio	**77.6**	**75.2**	**73.1**	**78.0**	**75.0**	**78.9**	**76.4**	**77.0**
Claims	45.7	43.9	43.8	48.2	44.5	46.6	44.8	45.6
Mgmt expenses	21.2	21.5	20.2	20.9	21.1	21.2	21.3	21.1
Commission	8.2	8.2	7.9	7.8	7.5	7.7	8.2	7.6
Net insurance finance cost	3.5	3.3	3.2	3.3	2.9	2.5	3.4	2.7
Onerous contracts	(0.9)	(1.6)	(2.1)	(2.2)	(1.1)	0.9	(1.3)	-
Total (Our estimates)								
Combined ratio	**83.1**	**81.9**	**80.3**	**83.8**	**81.9**	**84.5**	**82.5**	**83.2**
Claims	24.3	47.5	41.1	55.8	35.8	37.4	36.1	36.6
Reinsurance	35.0	10.2	16.0	4.8	22.6	23.4	22.4	23.0
Expense	23.8	24.2	23.2	23.2	23.5	23.7	24.0	23.6
Fire (Our estimates)								
Combined ratio	**77.9**	**70.7**	**69.5**	**72.4**	**70.0**	**65.6**	**74.2**	**67.8**
Claims	20.8	24.3	25.2	41.0	18.6	18.6	22.6	18.6
Reinsurance	35.2	23.9	22.4	10.8	30.7	26.1	29.4	28.3
Expense	21.9	22.4	22.0	20.6	20.7	21.0	22.2	20.8
Motor (Our estimates)								
Combined ratio	**83.1**	**98.7**	**89.0**	**99.3**	**97.8**	**106.7**	**91.1**	**102.3**
Claims	49.3	65.4	60.7	72.3	71.5	78.9	57.5	75.3
Reinsurance	8.3	7.9	3.5	0.7	0.1	1.4	8.1	0.8
Expense	25.5	25.4	24.9	26.4	26.2	26.4	25.5	26.3
MAT (Our estimates)								
Combined ratio	**96.8**	**88.6**	**106.7**	**91.0**	**89.4**	**101.3**	**93.2**	**95.0**
Claims	(114.0)	(16.2)	196.7	64.8	26.0	36.6	(71.1)	31.0
Reinsurance	194.9	84.8	(108.0)	4.6	45.2	44.0	146.6	44.6
Expense	16.0	19.9	18.0	21.6	18.1	20.8	17.7	19.4
Misc (Our estimates)								
Combined ratio	**87.0**	**86.7**	**83.3**	**85.8**	**84.7**	**91.0**	**86.8**	**87.9**
Claims	37.2	72.2	24.1	61.6	31.9	29.4	55.4	30.6
Reinsurance	23.5	(11.7)	35.2	(0.2)	26.3	35.8	5.3	31.2
Expense	26.4	26.1	24.0	24.4	26.4	25.8	26.2	26.1

Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Insurance revenue	**1,782**	**1,961**	**2,093**	**2,257**	**2,433**
Insurance service expenses	(1,058)	(1,296)	(1,320)	(1,391)	(1,502)
Reinsurance expense	(346)	(317)	(413)	(443)	(476)
Insurance service result	**378**	**348**	**359**	**422**	**456**
Investment return	146	161	156	158	161
Net finance result	(39)	(41)	(40)	(40)	(41)
Net investment & financial result	**107**	**121**	**117**	**118**	**120**
Total ins, inv & financial result	**485**	**468**	**476**	**540**	**576**
Other income	5	9	9	9	9
Other OPEX and finance costs	(18)	(22)	(22)	(22)	(22)
Associates	2	1	1	1	1
PBT	**474**	**457**	**465**	**529**	**565**
Tax	(97)	(89)	(95)	(108)	(116)
NCI	-	-	-	-	-
Reported NP	**377**	**368**	**370**	**421**	**449**
Core NP	**377**	**368**	**370**	**421**	**449**

BALANCE SHEET

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & ST funds	150	291	291	291	291
Reinsurance contracts	880	958	1,063	1,180	1,310
Investment securities	3,559	3,503	3,551	3,601	3,653
Other assets	196	192	844	621	643
Total assets	**4,785**	**4,944**	**5,749**	**5,693**	**5,897**
Insurance contracts	2,257	2,387	2,506	2,632	2,763
Other liabilities	106	99	103	107	112
Total liabilities	**2,363**	**2,486**	**2,609**	**2,739**	**2,875**
Share capital	398	398	398	398	398
Reserves	2,024	2,060	2,742	2,556	2,624
Total equity	**2,422**	**2,458**	**3,140**	**2,955**	**3,022**
Total L&E	**4,785**	**4,944**	**5,749**	**5,693**	**5,897**

Source: Company, MBSBR

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profitability (%)					
ROE	16.0	15.1	13.2	13.8	15.0
ROA	8.1	7.6	6.9	7.4	7.7
Combined ratio (%)	**78.8**	**82.3**	**82.8**	**81.3**	**81.3**
Claims	35.5	42.5	39.3	37.9	38.0
Expense	23.9	23.6	23.8	23.8	23.8
Reinsurance	19.4	16.2	19.8	19.6	19.5
Growth (%)					
Insurance revenue	-0.0	10.1	6.7	7.8	7.8
Insurance expense	27.9	22.5	1.8	5.4	8.0
Insurance service result	28.6	-8.0	3.4	17.5	7.9
PBT	20.1	-3.6	1.7	13.8	6.7
Core NP	20.2	-2.5	0.5	13.8	6.7
Valuation metrics					
Core EPS (sen)	94.7	92.3	92.8	105.6	112.7
Gross DPS (sen)	80.0	80.0	202.2	152.1	95.8
Div payout (%)	85	87	218	144	85
BVPS (RM)	6.1	6.2	7.9	7.4	7.6
Core P/E (x)	15.9	16.3	16.3	14.3	13.4
Div yield (%)	**5.3**	**5.3**	**13.4**	**10.1**	**6.4**
P/BV (x)	2.5	2.4	1.9	2.0	2.0

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MBSB 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