Corporate Update

LPI Capital Berhad

(8621 | LPI MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **NEUTRAL**

Revised Target Price **RM11.70**

(from RM11.72)

3QFY26 Results Review
Decent but Not Enough

Salient Points

Decent set of earnings – but nowhere as strong as we hoped.

Expect: Minimal positive share rerating drivers – special dividends remain the core factor propping up valuations.

Our Verdict

Despite some decent investment results, 3QFY26 was lacklustre – even though it is seasonally the strongest quarter. Although Fire and Motor segments continue to show strong GWP growth momentum, the threat of higher claims and reinsurance costs is more concerning. LPI's valuations also remain elevated due to the prospect of special dividends – leaving little room for upside, unless there is some truth to recent M&A speculation.

Valuations

A revised FY27F P/BV of 1.57x *(formerly 1.58x)*

Current P/BV of 2.39x is inexpensive, trading near -1SD of the 10-year P/BV mean of 2.72x.

The company is currently trading at a forward FY27F P/BV of 1.77x with a 11.5% dividend yield.

Themes

1. ▲ Defensive pick: Elevated dividend yields, high fire premium exposure, low investment income reliance and virtually 100% single-premium mix, which allows easier pass-on of costs.
2. ▲ Special dividends to keep yields and share price elevated until the final payout (estimated at 1HFY27). So far, RM259m of the estimated RM737m has been distributed – 2 further payouts remain.
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 is steady, driven by strong Fire and Motor segments.
5. ▼ Logistical problems and cost pressures drive claims inflation risks.

Results in a nutshell:

▼ **9MFY26's Core NP of RM263m was *Below/Below* our/street forecasts: *71%/68%* of full-year forecasts.** While this quarter had a decent showing, note that 3Q tends to be stronger seasonally – implying that 4QFY26 could come in much lower. Higher claims and weaker investment results provided the main downside.

► **No dividend announcement.**

RETURN STATISTICS	
Price @ 27 October 2026 (RM)	13.20
Expected share price return (%)	-11.4
Expected dividend yield (%)	+11.5
Expected total return (%)	**+0.2**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-2.3	1.2
3 months	-1.7	-4.1
12 months	-5.9	-6.0

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**357**	**421**	**449**
CNP growth (%)	(3)	18	7
Div yield (%)	**14.8**	**11.5**	**7.3**
Gross DPS (sen)	195.5	152.1	95.8
P/BV (x)	**1.7**	**1.8**	**1.7**
BVPS (RM)	7.9	7.5	7.6
ROE (%)	**12.7**	**13.7**	**14.9**
% Street CNP (%)	**93**	**97**	**97**

KEY STATISTICS	
FBM KLCI	1,611.85
Issue shares (m)	398.4
Estimated free float (%)	38.9
Market Capitalisation (RM'm)	5,083.4
52-wk price range	RM12.6 – RM15.0
3-mth average daily volume (m)	0.1
3-mth average daily value (RM'm)	2.0
Top Shareholders (%)	
Public Bank	44.2
Public Mutual Bhd	8.5
Sompo Holdings, Inc	4.7

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▼ **9MFY26's Core net profit (NP) of RM263m down by -11%yoy.** The decrease was driven by higher reinsurance costs and weaker investment results, which offset stronger insurance revenue and lower insurance expenses.

▲ **3QFY26's Core NP of RM97m up by 45%qoq.** The dramatic increase was driven by lower insurance expenses, which offset higher reinsurance expenses.

► **9MFY26's GWP of RM1,603m grew by a moderate 4%yoy.** The increase was largely driven by Motor and Fire portfolios, which offset weakness in ongoing weakness in MAT and Miscellaneous segment GWP growth. However, Fire segment growth seems to have fallen slightly, no longer at the double-digit growth levels seen in the last couple of quarters.

► **9MFY26's Combined ratio of 75.3% up +0.1%yoy.**

Have a look at:

▼ **This quarter was passable, but 4QFY26 may not perform as well.** We urge investors to be wary. Seasonally, 3Q is LPI's strongest quarter due to lower motor claims. In 4QFY26, a normalised motor segment result and the threat of higher claims (especially since the MYR has begun to depreciate again) will likely drag earnings. Also note that Fire segment's combined ratio has been unnaturally high these two quarters – a normalisation could easily happen.

► **A summary of what drove this quarter's stronger insurance results.**

1. **Fire segment was the standout.** This was attributable to a sharp dip in claims since last quarter – hopefully this is not temporary.
2. **Motor segment was strong, but this was due to 3Q's seasonally lower claims.** Expect to see normalisation by next results.
3. **Miscellaneous segment continued to disappoint due to a higher combined ratio.** This trend began since last quarter.
4. **MAT segment performed poorly (as it has for quite some time), but its contribution (as usual) was immaterial.**

► **We continue to pay special attention towards LPI's investment portfolio.** Some things to note:

1. **LPI managed its investment earnings well, but this is not necessarily indicative of its peers following suit.** LPI (as with other pure general insurers) are less reliant on investment income. Plus, it has minimal FVTPL/FVOCI bond exposure (13% of portfolio), allowing it to keep its unrealised gains to a minimum – recall that Public Bank shares made up a large chunk of its (unique) portfolio, a portfolio that it is still currently rebuilding.
2. **A huge purchase in corporate bonds (under the AC instruments) this quarter.** AC corporate bonds grew to RM154m from RM125m last quarter. If corporate bond yields follow MGS movements closely, LPI managed to buy close to the peak. Good for them, but as most of it is in the AC portfolio, unrealised gains do not have an impact on earnings.

Forecasts revised: FY26F Core NP adjusted by -3%. To reflect a higher combined ratio and weaker investment returns.
Key downside risks. *(1) Higher claims and reinsurance costs, (2) Weaker premium growth, (3) Weaker investment returns.*

Maintain NEUTRAL call: Revised GGM-TP of RM 11.70 ***(from RM11.72).*** The TP is based on a revised FY27F P/BV of 1.57x *(formerly 1.58x),* to reflect altered earnings prospects and ROE-based valuations.

(GGM assumptions: *FY27F ROE of 13.7%, LTG of 4.0% & COE of 10.2%)*

FIG 1: Quarterly results

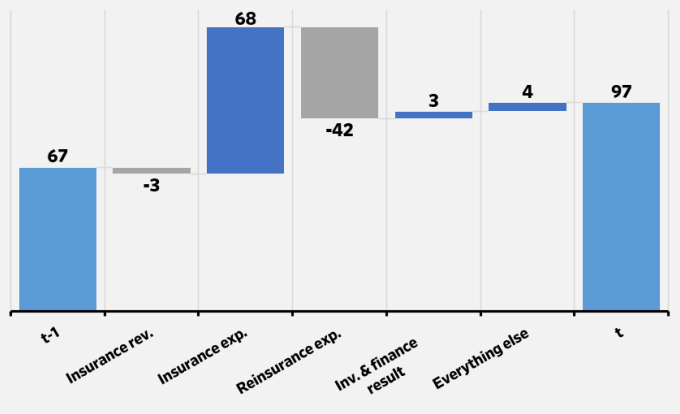
FYE Dec (RM m)	3Q FY26	2Q FY26	3Q FY25	Yoy (%)	Qoq (%)	9M FY26	9M FY25	Yoy (%)
Insurance revenue	520	522	500	4	-1	1,539	1,448	6
Insurance service expenses	(251)	(319)	(321)	-22	-21	(865)	(891)	-3
Reinsurance expenses	(165)	(122)	(80)	106	35	(399)	(293)	36
Insurance service result	**104**	**81**	**99**	**5**	**28**	**275**	**265**	**4**
Investment return	24	21	52	-54	14	89	141	-37
Net finance result	(8)	(8)	(10)	-25	-5	(25)	(30)	-18
Net inv & financial result	**120**	**94**	**140**	**-14**	**28**	**340**	**376**	**-10**
Other income	3	4	2	n.m.	n.m.	8	6	n.m.
OPEX and finance costs	(6)	(10)	(6)	n.m.	n.m.	(20)	(17)	n.m.
Associates	0	(0)	0	n.m.	n.m.	0	1	n.m.
PBT	**117**	**88**	**137**	**-15**	**33**	**327**	**366**	**-10**
Tax	(20)	(21)	(22)	-8	-3	(64)	(70)	-8
NCI	-	-	-	n.m.	n.m.	-	-	n.m.
Reported NP	**97**	**67**	**115**	**-16**	**45**	**263**	**296**	**-11**
Core NP	**97**	**67**	**115**	**-16**	**45**	**263**	**296**	**-11**
Gross DPS (sen)	**-**	**90.0**	**-**	**n.m.**	**n.m.**	**90.0**	**30.0**	**n.m.**
Core EPS (sen)	24.3	16.8	28.8	-16	45	66.1	74.3	-11

Ratios (%)	3Q FY26	2Q FY26	3Q FY25	Yoy (ppts)	Qoq (ppts)	9M FY26	9M FY25	Yoy (ppts)
ROE (Ann.)	**17.6**	**10.8**	**19.6**	**-2.0**	**6.7**	**15.9**	**16.8**	**-0.9**
Underwriting margin	**20.0**	**15.5**	**19.7**	**0.2**	**4.4**	**17.9**	**18.3**	**-0.4**
Combined (As reported)	**72.2**	**78.9**	**73.1**	**-0.9**	**-6.7**	**75.3**	**75.2**	**0.1**
Claims	42.7	46.6	43.8	-1.1	-3.9	44.6	44.4	0.2
Mgmt expenses	20.4	21.2	20.2	0.2	-0.8	20.9	21.0	-0.1
Commission	7.3	7.7	7.9	-0.6	-0.4	7.5	8.1	-0.6
Net insurance finance cost	2.3	2.5	3.2	-0.9	-0.2	2.6	3.3	-0.7
Onerous contracts	(0.5)	0.9	(2.1)	1.6	-1.4	(0.2)	(1.6)	1.4

By Segment (RM m)	3Q FY26	2Q FY26	3Q FY25	Yoy (%)	Qoq (%)	9M FY26	9M FY25	Yoy (%)
Total GWP	**533**	**491**	**516**	**3**	**9**	**1,603**	**1,544**	**4**
Fire	205	201	202	2	2	668	615	9
Motor	144	126	128	12	14	397	364	9
MAT	15	24	17	-16	-39	58	76	-23
Misc	170	140	169	1	22	479	489	-2
Total Ins. service result	**104**	**81**	**99**	**5**	**28**	**275**	**265**	**4**
Fire	78	77	60	28	1	218	157	39
Motor	12	(9)	14	-9	-243	7	35	-81
MAT	(0)	(0)	(1)	-99	-95	2	2	5
Misc	14	13	26	-47	4	48	64	-25

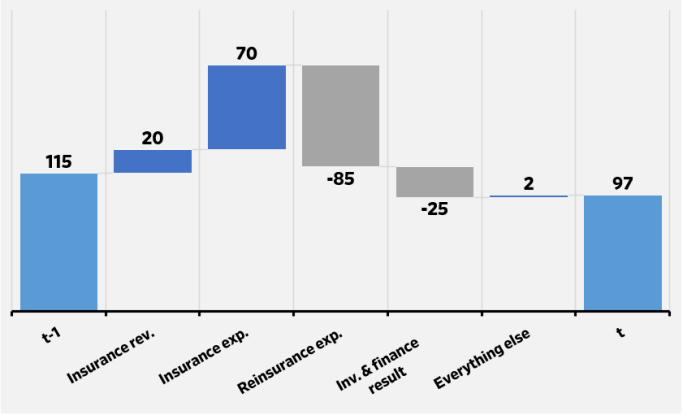
Source: Company, MBSBR

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



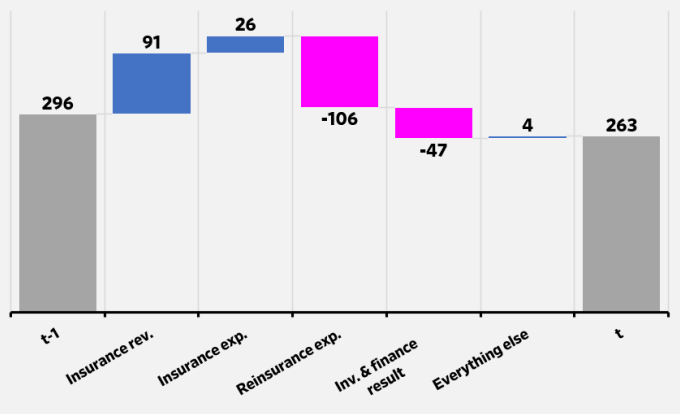
Source: Company, MBSBR

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



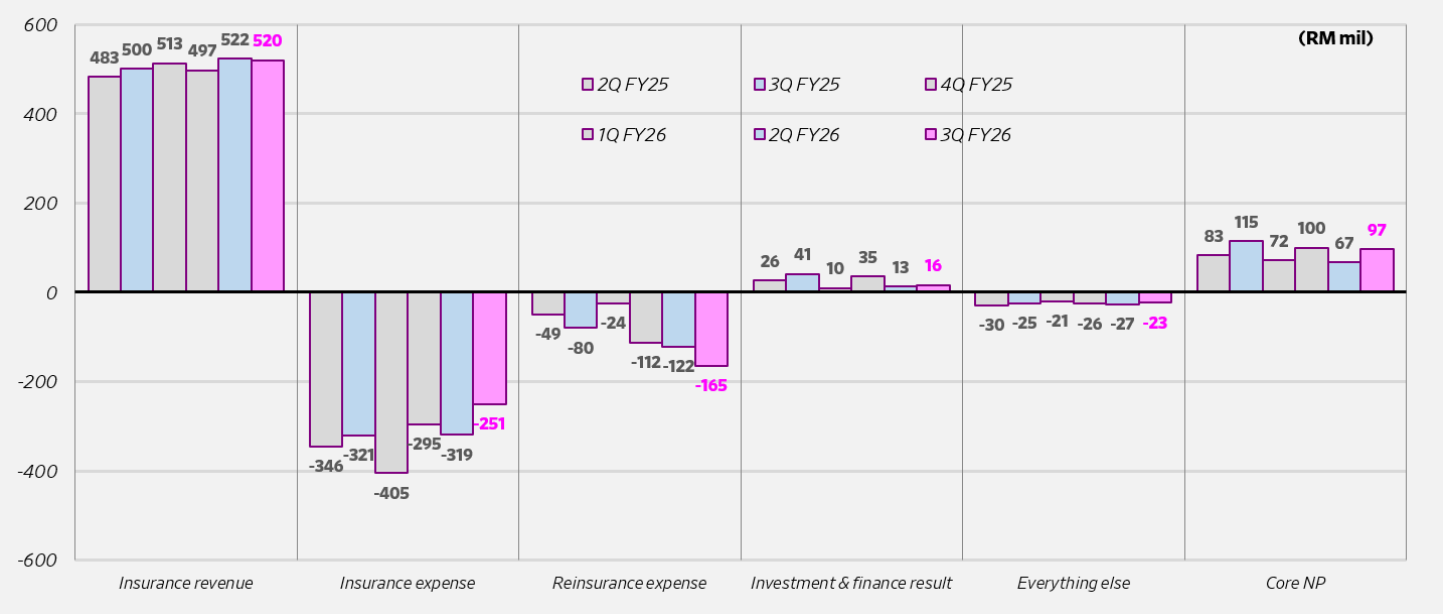
Source: Company, MBSBR

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



Source: Company, MBSBR

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

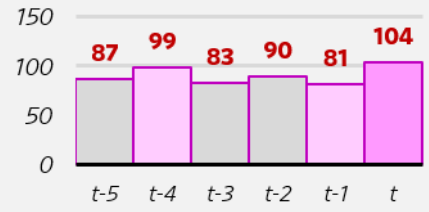


Source: Company, MBSBR

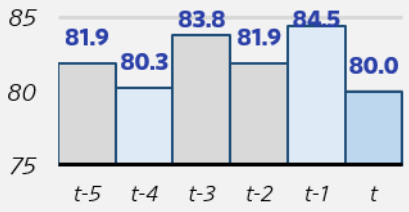
FIG 6: Quarterly Insurance Service Result Performance by Segment

1. Total Overall: ▲Strong

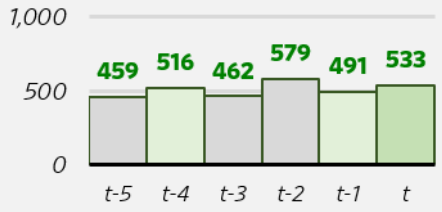
Insurance Service Result (RM m)



Combined Ratio (%)



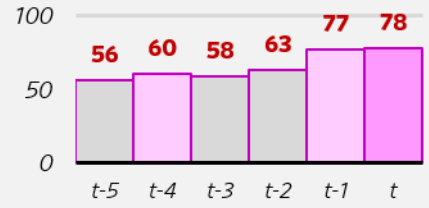
GWP (RM m)



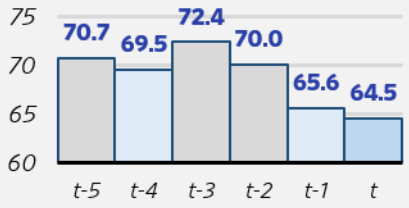
Overall, a solid quarter, driven by a lower combined ratio. However, note that LPI's 3Q is seasonally the strongest, due to stronger motor results – and there's no guarantee that this performance will repeat in 4QFY26.

2. Fire Overall: ▲Strong

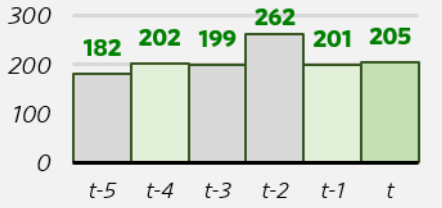
Insurance Service Result (RM m)



Combined Ratio (%)



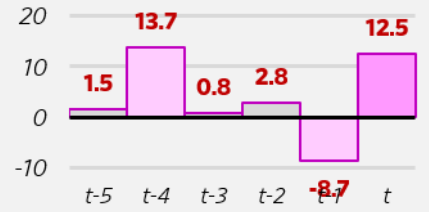
GWP (RM m)



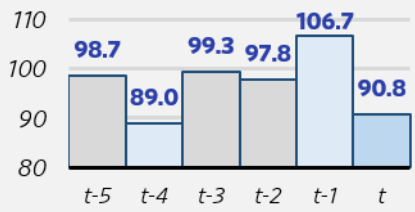
Fire segment is the standout. Last quarter's excellent momentum holds up – combined ratio remains way lower than before.

3. Motor Overall: ▲Strong

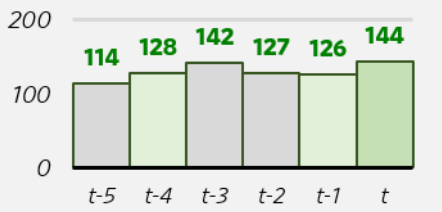
Insurance Service Result (RM m)



Combined Ratio (%)



GWP (RM m)

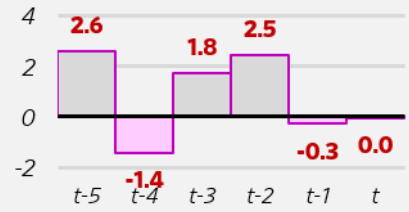


Strong result is due to 3Q's seasonal effects.

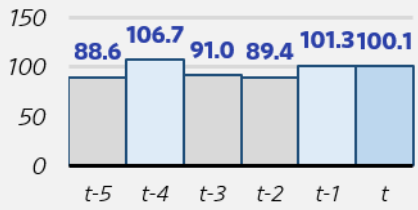
4. MAT

Overall: ▼ Weak

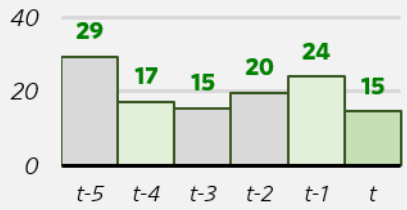
Insurance Service Result (RM m)



Combined Ratio (%)



GWP (RM m)

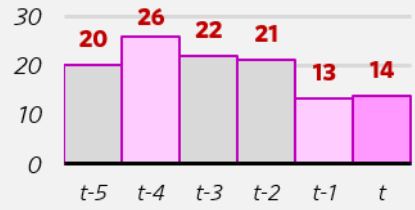


A poor result, dragged down by both a high combined ratio (due to higher-than-normal reinsurance charges) and weak GWP growth amid uncertainties in global geopolitics.

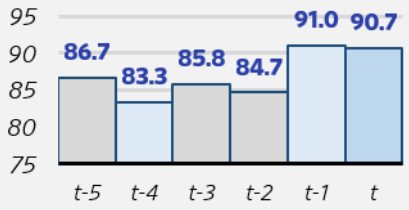
5. Misc

Overall: ▼ Weak

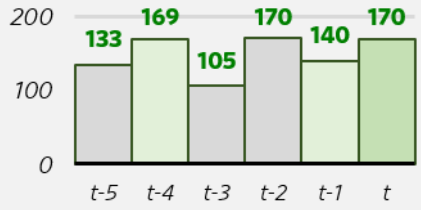
Insurance Service Result (RM m)



Combined Ratio (%)



GWP (RM m)

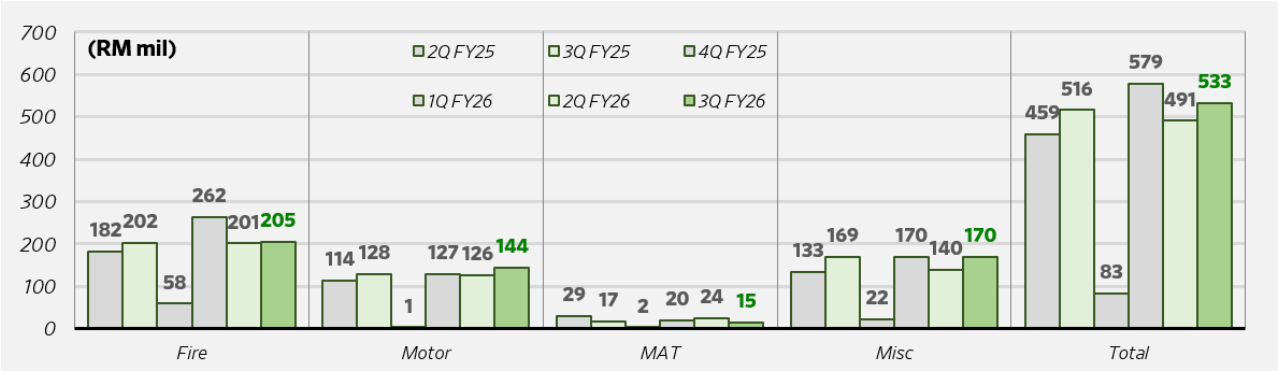


A surprisingly weak result, largely brought about by higher claims. The weak performance seen last quarter has remained.

Source: Company, MBSBR

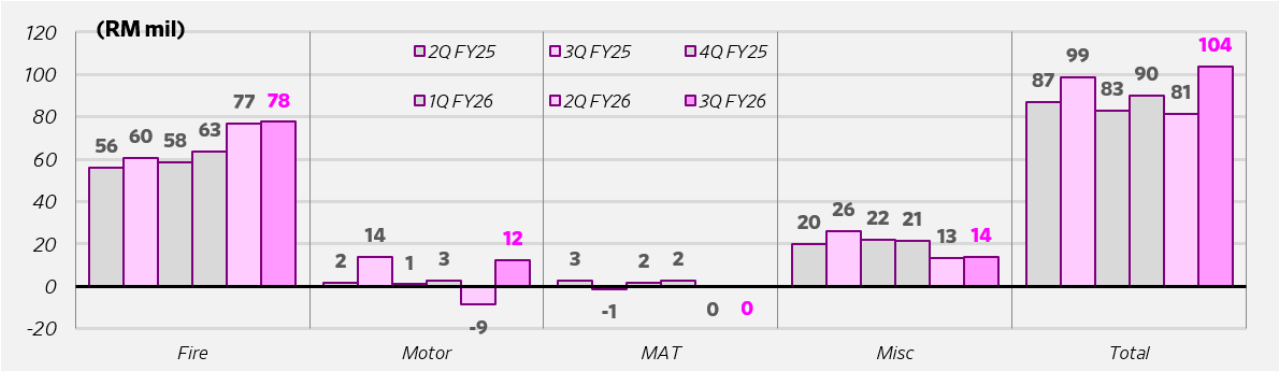
SEGMENTAL BREAKDOWN

FIG 7: GWP by Segment (Quarterly)



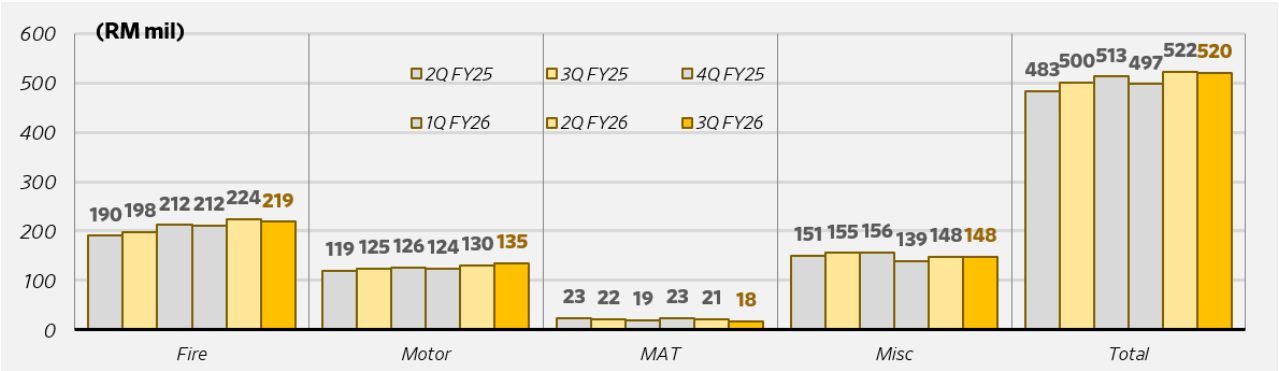
Source: Company, MBSBR

FIG 8: Insurance Service Result by Segment (Quarterly)



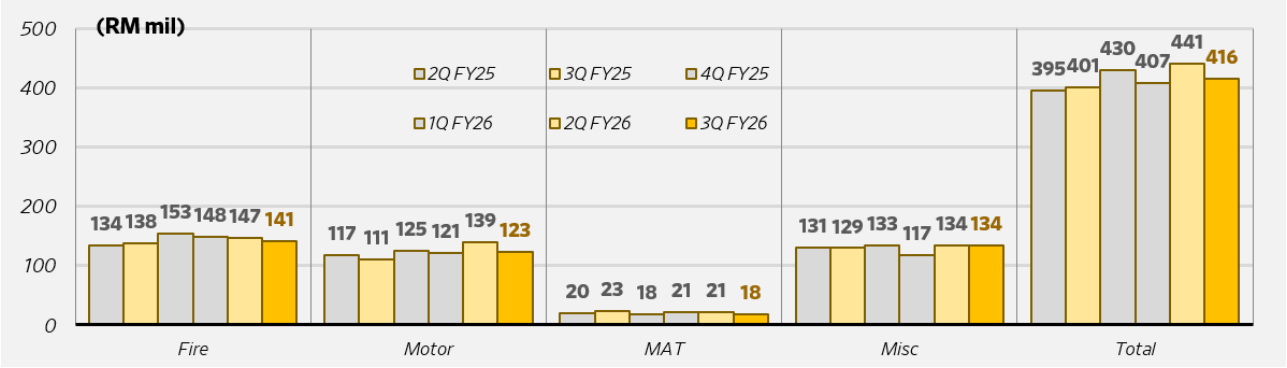
Source: Company, MBSBR

FIG 9: Insurance Revenue by Segment (Quarterly)



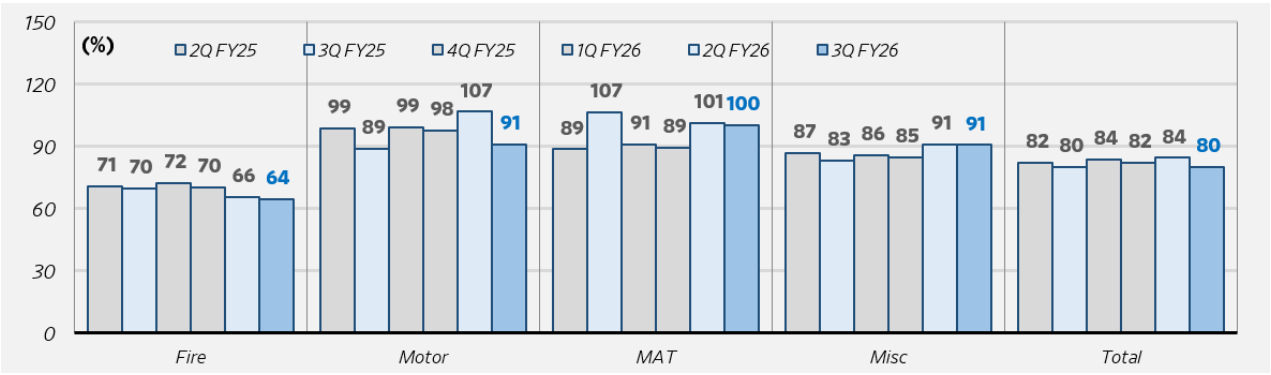
Source: Company, MBSBR

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



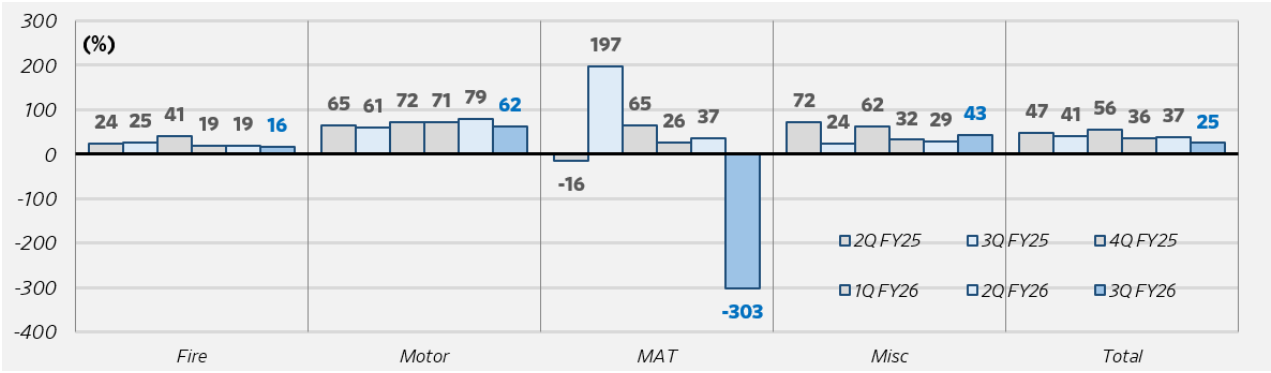
Source: Company, MBSBR

FIG 11: Combined ratio by Segment (Quarterly)



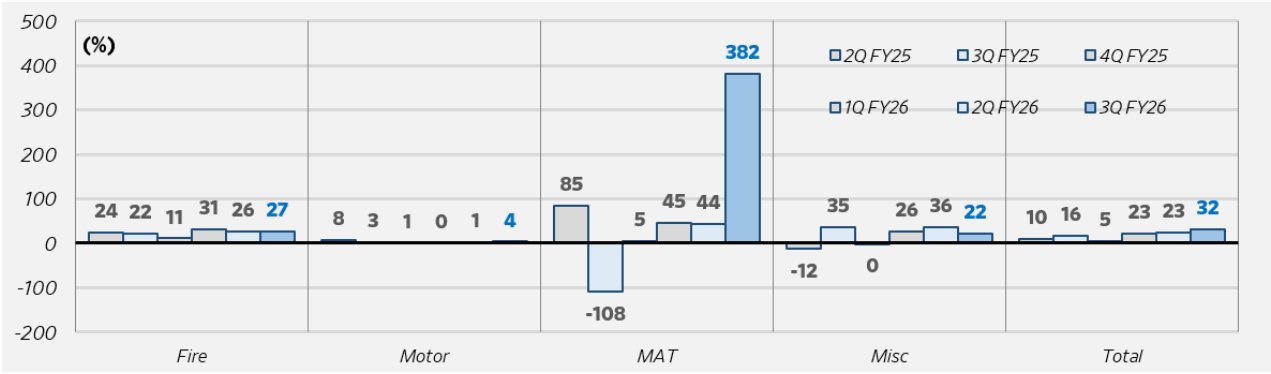
Source: Company, MBSBR

FIG 12: Claims ratio by Segment (Quarterly)



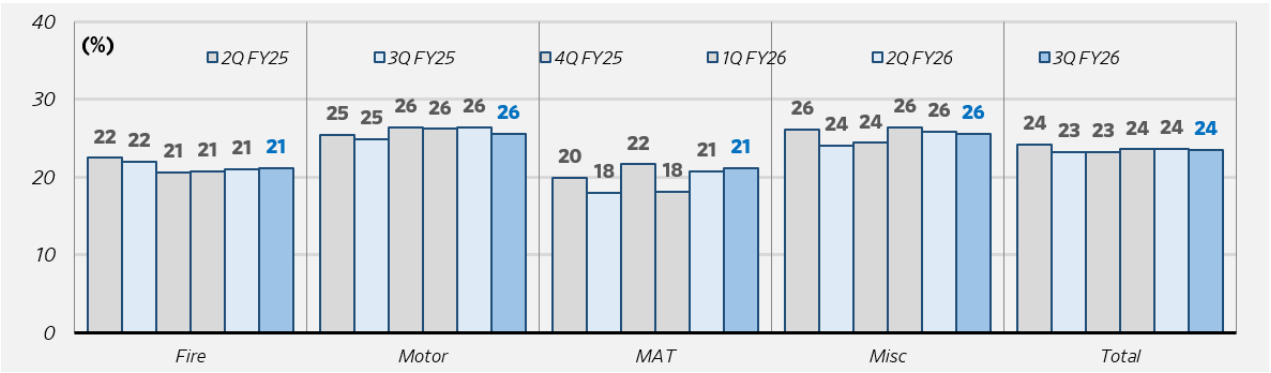
Source: Company, MBSBR

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 (%)	2Q FY25	3Q FY25	4Q FY25	1Q FY26	2Q FY26	3Q FY26	9M FY25	9M FY26
Total (Reported)								
Combined ratio	**75.2**	**73.1**	**78.0**	**75.0**	**78.9**	**72.2**	**75.2**	**75.3**
Claims	43.9	43.8	48.2	44.5	46.6	42.7	44.4	44.6
Mgmt expenses	21.5	20.2	20.9	21.1	21.2	20.4	21.0	20.9
Commission	8.2	7.9	7.8	7.5	7.7	7.3	8.1	7.5
Net insurance finance cost	3.3	3.2	3.3	2.9	2.5	2.3	3.3	2.6
Onerous contracts	(1.6)	(2.1)	(2.2)	(1.1)	0.9	(0.5)	(1.6)	(0.2)
Total (Our estimates)								
Combined ratio	**81.9**	**80.3**	**83.8**	**81.9**	**84.5**	**80.0**	**81.7**	**82.1**
Claims	47.5	41.1	55.8	35.8	37.4	24.8	37.8	32.6
Reinsurance	10.2	16.0	4.8	22.6	23.4	31.7	20.2	25.9
Expense	24.2	23.2	23.2	23.5	23.7	23.5	23.7	23.6
Fire (Our estimates)								
Combined ratio	**70.7**	**69.5**	**72.4**	**70.0**	**65.6**	**64.5**	**72.6**	**66.7**
Claims	24.3	25.2	41.0	18.6	18.6	16.4	23.5	17.8
Reinsurance	23.9	22.4	10.8	30.7	26.1	27.0	27.0	27.9
Expense	22.4	22.0	20.6	20.7	21.0	21.1	22.1	20.9
Motor (Our estimates)								
Combined ratio	**98.7**	**89.0**	**99.3**	**97.8**	**106.7**	**90.8**	**90.4**	**98.3**
Claims	65.4	60.7	72.3	71.5	78.9	61.6	58.6	70.5
Reinsurance	7.9	3.5	0.7	0.1	1.4	3.7	6.5	1.8
Expense	25.4	24.9	26.4	26.2	26.4	25.5	25.3	26.0
MAT (Our estimates)								
Combined ratio	**88.6**	**106.7**	**91.0**	**89.4**	**101.3**	**100.1**	**97.2**	**96.5**
Claims	(16.2)	196.7	64.8	26.0	36.6	(302.9)	7.5	(65.9)
Reinsurance	84.8	(108.0)	4.6	45.2	44.0	381.9	71.9	142.5
Expense	19.9	18.0	21.6	18.1	20.8	21.1	17.8	19.9
Misc (Our estimates)								
Combined ratio	**86.7**	**83.3**	**85.8**	**84.7**	**91.0**	**90.7**	**85.6**	**88.9**
Claims	72.2	24.1	61.6	31.9	29.4	43.5	44.5	35.0
Reinsurance	(11.7)	35.2	(0.2)	26.3	35.8	21.6	15.7	27.9
Expense	26.1	24.0	24.4	26.4	25.8	25.6	25.5	25.9

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)	(1,329)	(1,391)	(1,502)
Reinsurance expense	(346)	(317)	(413)	(443)	(476)
Insurance service result	**378**	**348**	**351**	**422**	**456**
Investment return	146	161	149	158	161
Net finance result	(39)	(41)	(40)	(40)	(41)
Net investment & financial result	**107**	**121**	**110**	**118**	**120**
Total ins, inv & financial result	**485**	**468**	**461**	**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**	**449**	**529**	**565**
Tax	(97)	(89)	(92)	(108)	(116)
NCI	-	-	-	-	-
Reported NP	**377**	**368**	**357**	**421**	**449**
Core NP	**377**	**368**	**357**	**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	858	636	658
Total assets	**4,785**	**4,944**	**5,763**	**5,708**	**5,912**
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	2,756	2,571	2,638
Total equity	**2,422**	**2,458**	**3,154**	**2,969**	**3,037**
Total L&E	**4,785**	**4,944**	**5,763**	**5,708**	**5,912**

Source: Company, MBSBR

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profitability (%)					
ROE	16.0	15.1	12.7	13.7	14.9
ROA	8.1	7.6	6.7	7.3	7.7
Combined ratio (%)	**78.8**	**82.3**	**83.2**	**81.3**	**81.3**
Claims	35.5	42.5	39.7	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	2.5	4.7	8.0
Insurance service result	28.6	-8.0	0.9	20.3	7.9
PBT	20.1	-3.6	-1.7	17.8	6.7
Core NP	20.2	-2.5	-2.9	17.8	6.7
Valuation metrics					
Core EPS (sen)	94.7	92.3	89.7	105.6	112.7
Gross DPS (sen)	80.0	80.0	195.5	152.1	95.8
Div payout (%)	85	87	218	144	85
BVPS (RM)	6.1	6.2	7.9	7.5	7.6
Core P/E (x)	13.9	14.3	14.7	12.5	11.7
Div yield (%)	**6.1**	**6.1**	**14.8**	**11.5**	**7.3**
P/BV (x)	2.2	2.1	1.7	1.8	1.7

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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