



AmInvestment Bank

## Company report

## LPI CAPITAL

(LPI MK EQUITY, LOND.KL)

16 Jun 2025

*2Q25 earnings set to rise on lower claims and higher investment gains*

**HOLD**

(Maintained)

Kelvin Ong, CFA

kelvin-ong@ambankgroup.com

03-2036 2294

Rationale for report: Company update

Price	RM14.42
Fair Value	RM14.70
52-week High/Low	RM12.66/RM11.40

**Key Changes**

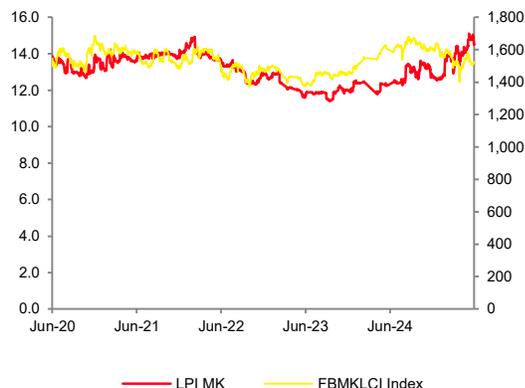
Fair value	↑
EPS	↑

YE to Dec	FY24	FY25F	FY26F	FY27F
Insurance Revenue (RMmil)	1,782	1,984	2,161	2,235
Core net profit (RMmil)	377	399	419	462
FD Core EPS (Sen)	95	100	105	116
FD Core EPS growth (%)	20.2	5.9	4.9	10.2
Consensus net profit (RMmil)		386	399	418
DPS (Sen)	80	85	254	99
BV/share (RM)	6.1	6.2	4.7	4.9
PE (x)	15.3	14.5	13.8	12.5
Div yield (%)	5.5	5.9	17.5	6.8
P/BV (x)	2.4	2.3	3.1	3.0
ROE (%)	16.0	16.3	19.2	24.0
Net Gearing (%)	nm	nm	nm	nm

**Stock and Financial Data**

Shares Outstanding (million)	398.4
Market Cap (RMmil)	5,705.1
Book Value (RM/share)	6.1
P/BV (x)	2.4
ROE (%)	16.0
Net Gearing (%)	-
Major Shareholders	Public Bank (44.2%) Sompo Holdings (8.5%)
Free Float	47.3
Avg Daily Value (RMmil)	0.5

Price performance	3mth	6mth	12mth
Absolute (%)	6.9	13.4	18.0
Relative (%)	6.7	19.3	24.8

**Investment Highlights**

*LPI Capital (LPI) is anticipated to deliver stronger 2Q25 earnings compared to 1Q25, driven by lower flood-related fire claims, steady motor insurance performance, and improved investment gains from falling 10-year MGS yields. Outlook on the general insurance industry remains unchanged, with competitive fire and motor pricing as well as high medical claims. With an FY26F P/BV of 3.1x and ROE of 19.2%, after factoring in a special dividend from the planned sale of Public Bank shares, the stock appears fairly valued. We maintain a HOLD rating, though any drop below 3.1x P/BV (approximately RM14.20-3x P/BV) could offer a buying opportunity amid improved net profit expectations for 2Q25.*

- Recommendation and valuation.** Coverage on LPI is reinstated after its blackout list removal. We maintain HOLD with a revised TP of RM14.70 from RM14.40, targeting an FY26 P/BV of 3.1x and ROE of 19.2%, reflecting lower equity due to a special dividend from its planned Public Bank share sales. FY25/26F earnings estimates revised upwards by 11.2%/5.0% after adjusting projections for insurance service results and investment income.
- 2Q25 earnings to exceed 1Q25, aided by claims improvement and fair value gains on investments.** LPI's 1Q25 net profit fell 3.3% YoY to RM98 million due to higher fire claims from floods and property losses, leading to a 10.4% decline in insurance service results. 2Q25 results, expected mid-August, should improve with lower fire claims and a stable motor insurance loss ratio. A 22bps QTD drop in the 10-year MGS yield supports fair value gains on investment securities, likely boosting net profit.
- Net claims from the Petronas Gas pipeline fire burst near Putra Heights, Subang Jaya seen as minimal.** The PetGas fire claims on damaged vehicles and residential properties, estimated at RM2-3 million, remain manageable at under 1% of net profit. Medical claims stay elevated due to inflation, prompting tighter underwriting, with medical insurance making up 8% of total GWP.
- FY26 higher dividend yields support share price, though the special dividend impact is priced in.** Public Bank's December 2024 acquisition of a 44.15% stake made LPI its subsidiary. LPI still holds 1.13% (220 million) Public Bank shares worth RM937mil, with plans to sell by end-2025, either gradually or in one transaction. Of the proceeds, 70.17% (RM658mil, RM1.65 per share) will be distributed as special dividends, while 29.37% (RM275mil) will be reinvested into equities of established companies. LPI is expanding all-risk and engineering insurance in domestic projects with limited exposure while targeting revenue growth through its bancassurance tie-up with Public Bank covering SME, commercial, personal loans, and trade credit insurance.

### Company profile

---

LPI Group, a leading Malaysian general insurer, boasts more than 60 years of experience while staying competitive in Singapore and strengthening in Cambodia.

LPI operates 21 Lonpac branches in Malaysia, one in Singapore, and an associated company in Cambodia via Campu Lonpac Insurance Plc. It ranks top 3 in fire, bond, medical & health, workers' compensation, offshore oil-related, and engineering insurance, while placing 6th in gross direct premiums for motor & non-motor.

### Investment thesis and catalysts

---

We maintain a HOLD on LPI Capital with a revised TP of RM14.70, based on an FY26 valuation of 3.1x P/BV and 19.7% ROE, reflecting a special dividend's impact on equity. Valuation on the stock appear fair. Nevertheless, a drop below 3.1x P/BV (around RM14.20) could offer a buying opportunity, given expected better 2Q25 net profit from reduced flood-related claims and stable motor performance.

### Valuation methodology

---

We value LPI Capital at a 3.1x P/BV using a Gordon growth model—with an 8.3% cost of equity, 0.6 beta, a 7.4% market risk premium, a 3.6% risk-free rate, and 3% long-term growth. The planned special dividend lowers our FY26 BV/share estimate from RM6.10 to RM4.74 but raises our FY26 ROE projection from 16.5% to 19.2%.

### Risk factors

---

Potential risks to our projections include:

- i) Slower-than-anticipated economic expansion, which could hinder growth in Gross Written Premium (GWP).
- ii) A surge in unforeseen claims, negatively affecting insurance service performance.
- iii) Prolonged high interest rates in developed markets, leading to a reduced valuation of bond and securities portfolios, thereby impacting investment income.

**EXHIBIT 1: VALUATIONS**

COE	8.3% (from 8.4%)
Beta	0.6 (from 0.5)
Market risk premium	7.4% (from 6.6%)
Risk free rate	3.6% (from 4%)
Long term growth rate	3% (from 2%)
P/BV	FY26 3.1x (from FY25 2.4x)
FY26 BVPS	RM4.74 (from FY25 BVPS RM6.00)
<b>TP</b>	<b>RM14.70 (from RM14.40)</b>
ESG Premium	0
<b>Adjusted TP</b>	<b>RM14.70 (from RM14.40)</b>

**EXHIBIT 2: CHANGE IN EARNINGS**

RMm	FY25F			FY26F		
	Old	New	%	Old	New	%
Net profit	359	399	11.2	399	419	5.0
Insurance Service Results	368	437	18.8	341	462	35.6
Investment income	100	127	26.8	106	132	24.4

Source: Company, AmInvestment Bank

## EXHIBIT 3: ESG SCORE

	Environmental assessment	Parameters	Weightage	Rating					Rationale
1	Allocation of investments in high risk ESG sectors	% of total investments allocated	40%	*	*	*	*	*	1% in high ESG risk sectors
2	Scope 1 GHG Emissions to insurance service results	t/Co2e/RM'Mil	15%	*	*	*	*	*	8.1% YoY decrease in 2024
3	Scope 2 GHG Emissions to insurance service results	t/Co2e/RM'Mil	15%	*	*				2.6% YoY increase in 2024
4	Scope 3 GHG Emissions to insurance service results	t/Co2e/RM'Mil	15%	*	*	*			5.3% YoY increase in 2024
5	Electricity consumption to total income	MWh/RM'Mil	10%	*	*	*			Stable at 1.6 in 2024 and 2023
6	Water consumption to total income	m3/RM'Mil	5%	*	*	*			Stable in 2024
	<b>Weighted score for environmental assessment</b>		<b>100%</b>	*	*	*	*		
	<b>Social assessment</b>								
1	Customer policy renewal ratio	%	30%	*	*	*	*		Stable at 80%
2	Corporate Social Responsibility investments or spend	% of total insurance service results	25%	*	*	*			RM172,000 invested in 2024 compared to 215,000 in 2023
3	Claims settlement ratio	%	20%	*	*	*			Each staff settled an average of 1,421 claims in 2024 vs.1,441 in 2023
4	Workforce diversity - women in senior management and above (excluding board directors)	% of total workforce	15%	*	*	*			39% in 2024 vs. 38% in 2023
5	Average training hours per employee	hours	10%	*	*	*			33hrs in 2024 vs. 20hrs in 2023
	<b>Weighted score for social assessment</b>		<b>100%</b>	*	*	*			
	<b>Governance assessment</b>								
1	Board age diversity	% under the 61 to 70 years old category	20%	*	*				All 5 board of directors at least 61-70 year old
2	Board women representation	% of total board directors	15%	*	*	*			43% representation
3	Directors with tenure of 3-6 years	% in the 3 to 6 years or more category	15%	*	*	*	*		100%
4	Independent board directors	% of total board directors	20%	*	*	*	*		60% independent directors
5	Remuneration to directors	% of insurance service expenses	10%	*	*	*	*		
6	Cybersecurity, Privacy and Data Protection	Confirmed incidents	20%	*	*	*			Zero in 2024, 2023 and 2022
	<b>Weighted score for governance assessment</b>		<b>100%</b>	*	*	*			
	<b>Environmental score</b>		<b>40%</b>	*	*	*	*		
	<b>Social score</b>		<b>25%</b>	*	*	*			
	<b>Governance score</b>		<b>35%</b>	*	*	*			
	<b>Overall ESG Score</b>		<b>100%</b>	*	*	*			

Source: Company, AmlInvestment Bank Bhd

## EXHIBIT 4: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY23	FY24	FY25F	FY26F	FY27F
Operating revenue	1,905	1,927	2,111	2,293	2,395
Insurance revenue	1,782	1,782	1,984	2,161	2,235
Insurance service expenses	-827	-1,058	-1,178	-1,296	-1,327
<b>Insurance service result before reinsurance</b>	<b>955</b>	<b>724</b>	<b>806</b>	<b>864</b>	<b>908</b>
Net expense/income from reinsurance contracts held	-661	-346	-369	-402	-416
<b>Insurance service result</b>	<b>294</b>	<b>378</b>	<b>437</b>	<b>462</b>	<b>492</b>
Investment income	123	145	127	132	160
Realized gains and losses	0	0	0	0	0
Fair value gains and losses and other income	0	0	0	0	0
Other income	0	0	0	0	0
<b>Total investment income</b>	<b>149</b>	<b>146</b>	<b>127</b>	<b>132</b>	<b>160</b>
<b>Net finance results</b>	<b>117</b>	<b>107</b>	<b>89</b>	<b>91</b>	<b>117</b>
Other operating income	4	5	5	5	6
Other operating expenses	-20	-17	-27	-29	-31
Finance costs	-1	-1	-1	-1	-1
Share of profit after tax of equity accounted associate company	2	2	2	2	2
<b>Profit before tax</b>	<b>395</b>	<b>474</b>	<b>505</b>	<b>530</b>	<b>584</b>
Tax expense	-81	-97	-106	-111	-123
<b>Net profit</b>	<b>314</b>	<b>377</b>	<b>399</b>	<b>419</b>	<b>462</b>
<b>Core net profit</b>	<b>314</b>	<b>377</b>	<b>399</b>	<b>419</b>	<b>462</b>
<b>Balance Sheet (RMmil, YE 31 Dec)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>
Cash & deposits with FIs	315	150	414	421	222
Loans & receivables	81	73	26	14	4
Insurance receivables	0	0	0	1	2
Investment securities	3,167	3,559	3,802	3,419	4,064
Investment properties	34	33	33	33	34
Deferred acquisition cost	0	0	0	1	2
Fixed assets	6	5	5	5	5
Other assets	966	963	803	899	873
<b>Total assets</b>	<b>4,569</b>	<b>4,783</b>	<b>5,083</b>	<b>4,793</b>	<b>5,205</b>
Insurance contract liabilities	2,200	2,257	2,530	2,835	3,178
Insurance payables	0	0	0	1	2
Borrowings	40	36	36	35	35
Deferred tax liabilities	25	38	9	9	9
Other liabilities	20	31	28	25	23
<b>Total liabilities</b>	<b>2,286</b>	<b>2,363</b>	<b>2,601</b>	<b>2,905</b>	<b>3,246</b>
Share capital	398	398	398	399	400
Reserves	1,885	2,024	2,084	1,489	1,559
<b>Shareholders' funds</b>	<b>2,283</b>	<b>2,422</b>	<b>2,482</b>	<b>1,888</b>	<b>1,959</b>
<b>Key Ratios (YE 31 Dec)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>
ROE (%)	14.0	16.0	16.3	19.2	24.0
ROA (%)	6.7	8.1	8.1	8.5	9.2
Insurance service result (%)	2.7	28.6	15.7	5.8	6.4
Core net profit growth (%)	24.4	20.2	5.9	4.9	10.2
EPS growth (%)	24.4	20.2	5.9	4.9	10.2
Book value per share growth (%)	3.4	6.1	2.5	-23.9	3.7
<b>Key Assumptions (YE 31 Dec)</b>	<b>FY23</b>	<b>FY24</b>	<b>FY25F</b>	<b>FY26F</b>	<b>FY27F</b>
Net claims incurred ratio	45.0	40.4	44.9	44.2	40.5
Management expense ratio	20.7	19.6	19.9	20.0	21.9
Net commission ratio	8.4	8.2	7.7	7.8	8.5
Net insurance finance cost ratio	3.1	3.3	2.8	2.8	3.0
Combined ratio	77.2	71.5	75.2	74.8	73.9
Yield from investment portfolio	4.7	4.1	3.3	3.8	3.9

Source: Company, AmlInvestment Bank Bhd estimates

**DISCLOSURE AND DISCLAIMER**

This report is prepared for information purposes only and it is issued by AmInvestment Bank Berhad (“AmInvestment”) without regard to your individual financial circumstances and objectives. Nothing in this report shall constitute an offer to sell, warranty, representation, recommendation, legal, accounting or tax advice, solicitation or expression of views to influence any one to buy or sell any real estate, securities, stocks, foreign exchange, futures or investment products. AmInvestment recommends that you evaluate a particular investment or strategy based on your individual circumstances and objectives and/or seek financial, legal or other advice on the appropriateness of the particular investment or strategy.

The information in this report was obtained or derived from sources that AmInvestment believes are reliable and correct at the time of issue. While all reasonable care has been taken to ensure that the stated facts are accurate and views are fair and reasonable, AmInvestment has not independently verified the information and does not warrant or represent that they are accurate, adequate, complete or up-to-date and they should not be relied upon as such. All information included in this report constitute AmInvestment’s views as of this date and are subject to change without notice. Notwithstanding that, AmInvestment has no obligation to update its opinion or information in this report. Facts and views presented in this report may not reflect the views of or information known to other business units of AmInvestment’s affiliates and/or related corporations (collectively, “AmBank Group”).

This report is prepared for the clients of AmBank Group and it cannot be altered, copied, reproduced, distributed or republished for any purpose without AmInvestment’s prior written consent. AmInvestment, AmBank Group and its respective directors, officers, employees and agents (“Relevant Person”) accept no liability whatsoever for any direct, indirect or consequential losses, loss of profits and/or damages arising from the use or reliance of this report and/or further communications given in relation to this report. Any such responsibility is hereby expressly disclaimed.

AmInvestment is not acting as your advisor and does not owe you any fiduciary duties in connection with this report. The Relevant Person may provide services to any company and affiliates of such companies in or related to the securities or products and/or may trade or otherwise effect transactions for their own account or the accounts of their customers which may give rise to real or potential conflicts of interest.

This report is not directed to or intended for distribution or publication outside Malaysia. If you are outside Malaysia, you should have regard to the laws of the jurisdiction in which you are located.

If any provision of this disclosure and disclaimer is held to be invalid in whole or in part, such provision will be deemed not to form part of this disclosure and disclaimer. The validity and enforceability of the remainder of this disclosure and disclaimer will not be affected.