

PRESS RELEASE BY LPI CAPITAL BHD

LPI CAPITAL BHD A Challenging Second Quarter of 2020

Malaysia is currently in the Recovery Movement Control Order (RMCO) phase which allows the reopening of almost all economic activities. Business is slowly recovering but may be hampered by soft external demand as many advanced economies are still affected by COVID-19 pandemic. With renewed concerns over new waves of infection, many borders remain closed thus affecting the recovery of key economic sectors like trade and tourism.

Reviewing the performance of LPI Capital Bhd (LPI) for the Second Quarter of 2020, Tan Sri Dato Sri Dr Teh Hong Piow, Chairman & Founder commented, “Consumers’ confidence and business sentiment are badly affected as the COVID-19 pandemic has triggered disruptions in demand-supply dynamic and breakdown in economic activities, thus threatening a global recession. Operating in such unprecedented period of volatility, LPI Group was affected by the lockdown imposed during the various phases of Movement Control Order (MCO) and the disruption of business activities. Demand for insurance was particularly slow as Lonpac Insurance Bhd (Lonpac), the wholly-owned insurance subsidiary of LPI, reported a 7.0% decline in its Gross Premium Income to RM340.9 million for the Second Quarter of 2020, from RM366.6 million recorded in the previous corresponding Quarter. Its Net Earned Premium Income, however, registered a marginal 0.2% decline to RM251.4 million from RM252.0 million

previously as a result of lower technical reserve provision. The Gross Premium Income for the Quarter under review was particularly affected by the lower premium written for Motor, Marine, Oil & Gas and Miscellaneous classes of insurance.

With the slower economic activities during the MCO, the claims reported were relatively lower during the months of April and May but picked up again in June to register a 45.6% Claims Incurred Ratio for the Quarter under review, an increase from 44.9% registered in the previous corresponding Quarter. With Management Expense Ratio at 19.6% and Commission Ratio at a reduced 6.4%, Lonpac reported a marginally higher Combined Ratio of 71.6% from 71.0% reported previously. Consequently, the Underwriting Profit of Lonpac for the Second Quarter of 2020 registered 2.1% lower at RM71.5 million from RM73.0 million achieved in previous corresponding Quarter. However, with higher Investment Income, Lonpac managed to increase its Profit Before Tax by 7.8% to RM100.8 million for the Quarter under review from RM93.5 million.

At the Group level, LPI reported a 3.3% improvement in its Revenue for the Second Quarter of 2020 from RM386.9 million to RM399.5 million while its Profit Before Tax registered a strong 8.3% increase to RM100.3 million from RM92.6 million recorded in the previous corresponding Quarter. Its Net Profit Attributable to Shareholders similarly improved impressively by 9.3% to RM77.4 million from RM70.8 million. The increase in Profit Before Tax of the Group was contributed by fair value gain on investments of RM11.5 million for the Quarter under review as compared to RM1.0 million gain reported in the previous corresponding Quarter. Investment in unit trust reported the

highest fair value gain of RM9.8 million. Net Return on Equity of LPI for the Quarter under review improved to 4.2% from 3.4% while its Earnings Per Share registered 19.43 sen, increased from 17.77 sen.”

Tan Sri Teh further commented, “For the half year ended 30 June 2020, LPI achieved a 3.1% improvement in its Revenue to RM803.5 million from RM779.6 million reported in the previous corresponding period. Its Profit Before Tax increased by 5.4% to RM198.2 million from RM188.1 million while Net Profit Attributable to Shareholders recorded a creditable 5.0% improvement to RM155.3 million from RM147.9 million. The improved performance was mainly contributed by the strong underwriting profit reported by Lonpac. The Group also registered fair value gain on investments, mainly from unit trust, of RM4.7 million for the first six months of 2020 as compared to RM1.8 million gain registered in the previous corresponding period. LPI increased its Net Return on Equity for the period under review to 8.5% from 7.2% while Earnings Per Share recorded higher at 38.99 sen from 37.14 sen achieved in the previous corresponding period.

Despite the interruption to business activity, Lonpac managed to sustain its performance for the first six months of the financial year 2020 with its Gross Premium Income contracting by only 0.1% to RM826.9 million. Marine and Oil & Gas classes of insurance recorded the biggest drop in premium written due to slowdown in marine shipments and drop in oil prices. Lonpac’s Claims Incurred Ratio registered 45.9% for the period under review, improved marginally from 46.1%. With Management Expense Ratio at 20.9% and a lower Commission Ratio of 4.6%, its Combined Ratio for the first half year of 2020 improved to 71.4% from 72.8% registered in the previous

corresponding period. Consequently, Lonpac reported a 5.5% increase in its Underwriting Profit to RM139.9 million from RM132.6 million achieved in the first half year of 2019. Profit Before Tax of Lonpac for the period under review increased by 4.8% to RM180.9 million from RM172.6 million.”

Highlights of the Group's Performance:-

	2 nd Quarter Ended		Half Year Ended	
	30/6/2020	30/6/2019	30/6/2020	30/6/2019
Revenue (RM'000)	399,545	386,902	803,453	779,604
Gross Premium Income (RM'000)	340,907	366,627	826,902	827,514
Net Earned Premium Income (RM'000)	251,437	252,005	488,547	487,640
Underwriting Profit (RM'000)	71,478	73,017	139,886	132,625
Profit Before Tax (RM'000)	100,297	92,625	198,213	188,069
Net Profit Attributable to Shareholders (RM'000)	77,401	70,782	155,318	147,940
Net Return on Equity (%)	4.2	3.4	8.5	7.2
Earnings Per Share (sen)	19.43	17.77	38.99	37.14
Claims Incurred Ratio (%)	45.6	44.9	45.9	46.1
Management Expense Ratio (%)	19.6	19.0	20.9	20.5
Commission Ratio (%)	6.4	7.1	4.6	6.2
Combined Ratio (%)	71.6	71.0	71.4	72.8

Tan Sri Teh announced, “In view of the satisfactory performance of the Group for the first half year of 2020, the Board of Directors has declared a first interim dividend of 28 sen per share (27 sen per share in 2019). This first interim dividend payment which amounts to RM111.5 million is 3.6% higher than the RM107.6 million first interim dividend that was paid in August 2019 and is part of the Group’s effort to thank its shareholders for their continued confidence and support in LPI Group. This interim dividend payment represents 71.8% of the Group’s Net Profit Attributable to Shareholders.”

Tan Sri Teh further commented, “Malaysia is currently making good progress in its fight against COVID-19. However, there is still a high degree of uncertainty on global recovery as long as a vaccine is not available and fear of a second wave of infections. The LPI Group is poised to pursue growth and business opportunities when the business environment improves. Meanwhile, it will focus on sustainable revenue streams, further strengthening its risk management capabilities and intensifying prudent cost management measures. We will remain vigilant for the rest of 2020 and will continue to support our process re-engineering and business enhancements programmes leveraging on technology.”

Date : 17 August 2020

For more information, please contact:

Mr Tan Kok Guan

Chief Executive Officer – LPI Capital Bhd

Tel : 03-2034 2670

Email : kgtan@lonpac.com

Mr Looi Kong Meng

Chief Executive Officer – Lonpac Insurance Bhd

Tel : 03-2262 8620

Email : kmlooi@lonpac.com

Mr Ng Seng Khin

Chief Financial Officer – Lonpac Insurance Bhd

Tel : 03-2723 7835

Email : skng@lonpac.com