

24 Nov 2020

Asia Commercial Bank (ACB)

Raise TP to VND33,400

- USD370mn of upfront fee from exclusive banca agreement with Sunlife Vietnam.
- Lift TP to VND33,400.

Facts: USD370mn of upfront fee is above our expectation

On 23 Nov ACB hold a conference call to provide detailed information regarding to the exclusive bancassurance agreement signed on 18 Nov 2020 with new partner, Sunlife Vietnam. Accordingly, the bank and Sunlife have agreed an upfront payment worth of USD370bn (~VND8.5tn) for the exclusive distribution right via ACB's network in the next 15 years, 2021-2036. The number beats our expectation of VND3.5tn and could record as the most expensive bancassurance agreement in Vietnam if comparing to the bank's distribution network, customer base and deposit size. ACB has yet disclosed the time receiving that huge upfront and how that amount is recorded on the bank's P&L statement.

Pros & cons: Big upfront to compensate for business disruption

We believe such huge upfront payment is to compensate for less popular of Sunlife's branding in Vietnam vs. ACB's previous partners and for growth disruption in ACB's banca income during the establishment period, which may start since Dec 2020. Given the focused execution from both ACB and Sunlife, and available insurance specialist team, the bank's banca business may resume strongly since 2022. We forecast the banca fee income growth to achieve a CAGR of 26% in 2020-2024.

Action: Lift TP to VND33,400

We highly appreciate the bank's efforts in fulfilling 2020 goals including financial guidance, exclusive banca agreement and its relisting on HSX. We believe that the 2021 should be another exciting year for ACB, particularly following the bank's presence in HSX's new indexes. We reaffirm BUY and lift TP by 15% to VND33,400. The new TP implies a forward P/B of 1.76x on 2021 earnings.

12M rating **BUY (Maintain)**

12M TP **33,400**

Up/Downside **+25.9%** (incl 3.7% cash dividend)

Stock data

VNIndex (23 Nov, pt)	994
Stock price (23 Nov, VND)	27,300
Market cap (USD mn)	2,547
Shares outstanding (mn)	2,162
52-Week high/low (VND)	27,300/13,693
6M avg. daily turnover (USD mn)	6.74
Free float / Foreign ownership (%)	75.8/30.0
Major shareholders (%)	
Dragon Capital	12.2
ALP Asia Finance	10.0
Mr. Tran Hung Huy & affiliates	6.1
Estes Investment Ltd	5.0

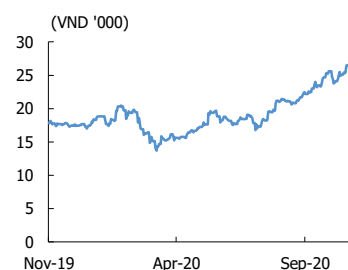
Valuation

	2019A	2020F	2021F
PB (x)	2.1	1.7	1.4
PE (x)	9.9	8.6	7.0
ROA (%)	1.7	1.7	1.9
ROE (%)	24.6	22.2	22.7
DY (%)	-	-	3.7
P/PPE (x)	7.5	6.0	4.7
BPS (VND,adj)	12,893	16,059	18,985
EPS (VND,adj)	2,744	3,167	3,927

Performance

	1M	6M	12M
Absolute (%)	6.6	58.4	53.0
Relative to VNIndex (%p)	3.1	40.6	49.5

Stock price



Source: Bloomberg

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Balance sheet

(VND bn)

	2017A	2018A	2019A	2020F	2021F
Total assets	284,316	329,333	383,514	432,523	481,171
Gross IEAs	269,537	314,817	368,778	417,098	463,737
Loans and corp bonds	198,689	230,527	268,701	308,334	351,501
Household	197,294	215,713	247,094	-	-
Corporate	1,395	14,814	21,606	308,334	351,501
Dep't and loans to FIs	12,768	19,460	30,442	29,802	25,955
Dep't to SBV & G-bond	58,080	64,829	69,636	78,963	86,281
VAMC bond	40	40	-	-	-
NIEAs	18,659	19,109	19,609	21,343	24,310
Others	3,920	4,633	4,873	5,919	6,876
Total liabilities	268,285	308,315	355,749	397,811	440,133
Deposits	241,393	269,999	308,129	346,732	385,487
Debentures	6,761	8,291	20,831	23,441	26,061
Dep't and loans from FIs	15,590	20,878	19,405	19,405	19,405
Loans from Gov't & SBV	-	3,074	-	-	-
Other liabilities	4,541	6,073	7,384	8,234	9,180
Total equities	16,031	21,018	27,765	34,712	41,038
Controlling interests	16,031	21,018	27,765	34,712	41,038
Capital stock	10,273	12,886	16,627	21,616	21,616
Capital surplus	-	-	272	272	272
Other reserves	2,914	3,693	4,596	5,497	6,539
Retained earnings	2,844	4,439	6,270	7,327	12,611
OCI	-	-	-	-	-
Minority interest	-	-	-	-	-

Income statement

(VND bn)

	2017A	2018A	2019A	2020F	2021F
Total operating income	11,439	14,033	16,097	18,062	22,798
Net interest income	8,458	10,363	12,112	13,751	15,999
Interest income	20,320	24,015	28,318	31,699	36,061
Interest cost	11,862	13,652	16,205	17,947	20,061
Non-interest income	2,981	3,670	3,985	4,311	6,798
Net commission income	1,425	1,739	2,327	2,718	5,027
Gains on investment securities	664	117	158	1,030	1,303
Other non-interest income	892	1,815	1,500	563	468
Provision for credit losses	2,565	932	274	1,194	1,712
Net operating revenue	8,874	13,101	15,824	16,868	21,085
SG&A	6,217	6,712	8,308	8,185	10,331
Employee benefits	2,668	3,220	3,746	4,203	5,305
Pre-provision earnings	5,222	7,321	7,790	9,877	12,467
Earnings before tax	2,656	6,389	7,516	8,683	10,754
Tax	538	1,252	1,506	1,737	2,151
Tax rate (%)	20.3	19.6	20.0	20.0	20.0
Continuing operations profit	1,749	3,372	4,510	6,384	8,135
Reversals of written-off loans	369	1,765	1,500	563	468
Net profit	2,118	5,137	6,010	6,947	8,603
Net profit of controlling interest	2,118	5,137	6,010	6,947	8,603

Key financial data

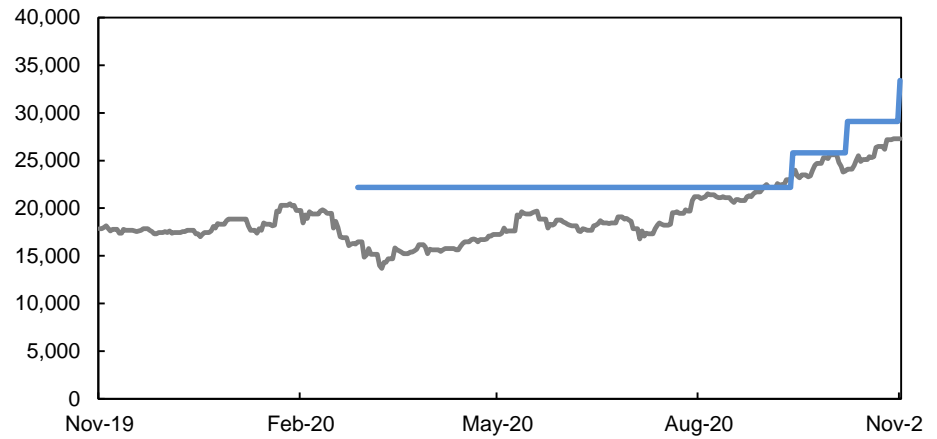
	2017A	2018A	2019A	2020F	2021F
Profitability and efficiency (%)					
ROE	14.1	27.7	24.6	22.2	22.7
ROA	0.8	1.7	1.7	1.7	1.9
NIM	3.5	3.6	3.6	3.5	3.7
Asset yield	8.4	8.3	8.3	8.1	8.3
Cost of fund	4.9	4.8	5.0	4.9	4.9
Cost-income ratio	54.4	47.8	51.6	45.3	45.3
Credit cost	0.9	0.4	0.1	0.4	0.5
Growth (%)					
Net profit of controlling interest	59.8	142.5	17.0	15.6	23.9
Pre-provision earnings	81.0	40.2	6.4	26.8	26.2
Credit growth	19.3	16.0	16.6	14.8	14.0
Total assets	21.7	15.8	16.5	12.8	11.2
Asset quality (%)					
NPL ratio	0.7	0.7	0.5	0.9	0.8
NPL coverage ratio	132.7	151.9	175.0	122.3	136.3
Loan to deposit	76.9	78.6	78.4	80.3	82.7
Capital adequacy (%)					
CAR ratio	8.0	10.1	10.9	11.9	12.5
CET1 ratio	n.a	n.a	9.7	10.7	11.3
Tier 1 ratio	6.7	8.6	9.7	10.7	11.4

Valuation

	2017A	2018A	2019A	2020F	2021F
Per share (VND, adj.)					
BPS	7,606	9,972	12,893	16,059	18,985
EPS	981	2,390	2,744	3,167	3,927
DPS	327	-	-	-	1,000
Valuation (x)					
PB	3.6	2.7	2.1	1.7	1.4
PE	27.8	11.4	9.9	8.6	7.0
P/PPE	11.0	7.9	7.5	6.0	4.7
Dividend yield (%)	1.2	-	-	-	3.7
Dividend payout ratio (%)	33.4	-	-	-	25.5
ROE analysis (%)					
ROE	14.1	27.7	24.6	22.2	22.7
Leverage(x)	17.7	15.7	13.8	12.5	11.7
IEAs to total assets	93.5	94.3	95.0	95.1	95.0
Net income to IEAs	0.8	1.6	1.6	1.7	1.9
Net interest income to IEAs	3.1	3.3	3.3	3.3	3.5
Non-interest income to IEAs	1.1	1.2	1.1	1.0	1.5
Credit cost to IEAs	1.0	0.3	0.1	0.3	0.4
SG&A to IEAs	2.3	2.1	2.3	2.0	2.2

Changes to recommendation and price target

Company (code)	Date	Recommendation	Target price	%vs. avg. price	%vs. high (low)
Asia Commercial Bank (ACB)	20-03-20	BUY	VND22,200	-	-
	28-04-20	BUY	VND22,200	-	-
	29-07-20	BUY	VND22,200	-	-
	05-10-20	BUY	VND25,800	-	-
	30-10-20	BUY	VND29,100	-	-
	23-11-20	BUY	VND33,400	-	-



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