

21 Jan 2021

# Military Insurance Company (MIG)

## Pre-listing brief

### Overview

The insurance market kick-off 2021 year with the official announcement about listing schedule on HSX from Military Insurance Company (MIG). According to HSX, MIG's listing day is January 21<sup>st</sup>, reference price will be VND 15,550/ share. In Vietnam non-life insurance market, MIG is standing at 6<sup>th</sup> position among Top 10 largest companies.

Military Insurance Company established in 2011 and its major shareholder is Military Commercial Joint Stock bank with 68.37% ownership. In the first place, company plays a role as insurance provider serving for units under the Ministry of Defense. But, from 2011, company have expanded their business to other segments. Besides traditional partners from Ministry of Defense, they also target for both retail and corporate customers from various economic sectors. Updated as December 2020, MIG has a headquarter in Ha Noi and 66 branches spreading over Vietnam.

### Financial highlights

Within the five-year period 2016-2020, MIG recorded positive change in revenue from insurance premium. Particularly, their average growth rate in revenue is in-line with market trend with 15%, compared to 13.7% average growth rate of non-life insurance market. Up to 9M20, revenue spiked to VND1,936bn (+30.3% yoy). Having to be mentioned that, the fourth quarter revenue of insurance companies is often higher than 2Q and 3Q figures.

In addition, Earnings After Tax (EAT) is also uptrend. Specially, in 2018, company's EAT hiked 145.5% from 2017. According to full year 2019 statistics, MIG'S EAT is VND142bn (+31.5% yoy). ROE ratio maintains at 11% while ROA is kept at 3%. Solvency ratio gained from to 1.27x in 2019.

	2016A	2017A	2018A	2019A	9M20
Revenue (VND bn)	1,634	1,845	1,914	2,248	2,741*
chg. (% YoY)	26.6	12.9	3.7	17.5	21.9
EBIT (VND bn)	88	56	135	177	155*
Net profit (VND bn)	70	44	108	142	124*
EPS (adj. VND)	1,277	555	1,287	1,210	-
BVPS (VND)	10,675	11,128	11,767	11,382	11,071
ROE (%)	10.0	5.1	11.5	11.5	8.5*
ROA (%)	2.7	1.5	3.2	3.3	2.4*

Note: Revenue, ROE and ROA are based on figures attributed to controlling interest, trailing 12M20

Source: Fiinpro, KIS

### Stock Data

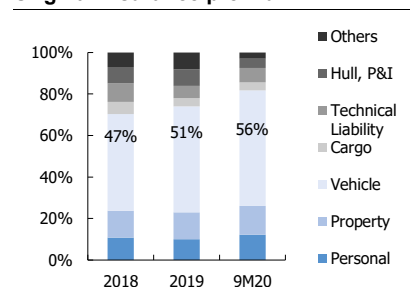
Company name	Military Insurance Company
Ticker	MIG
Scheduled listing day	21/01/2021
Exchange listed	HSX
Reference price (VND)	15,550
Sector	Insurance
Sub-sector	Non-Life Insurance
Paid-in capital (VND bn)	1,300
Listed shares	130,000,000
Outstanding shares	130,000,000

### Major shareholders (%)

Military Commercial Joint Stock Bank	68.37
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Source: Fiinpro

### Original insurance premium mix



Source: Company data, KIS

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### **Company strategy is more focusing on specific types of insurance products**

Previously, MIG provides customers with a variety of non-life insurance products. From 2018, their business strategy narrowed down into focusing development in a few insurance products which are vehicle insurance, personal insurance and property insurance. Company are more favorable to products with low risk and high cost efficiency while trying to restrict high risk insurance business. As a result, loss ratio of MIG has stayed around 50%, approximate to average number of the market. But, there is an increase in underwriting expense which causes the rise in combination ratio.

### **Business strategy is spurred by government policies**

The insurance market experienced double-digits growth rate despite of impacts of coronavirus outbreak in 2020. MIG shows their ambition in upcoming period when targeting to join Top 3 largest non-life insurance until 2025. They also developed business strategy for 2020-2025 to boost their business towards personal insurance and vehicle insurance.

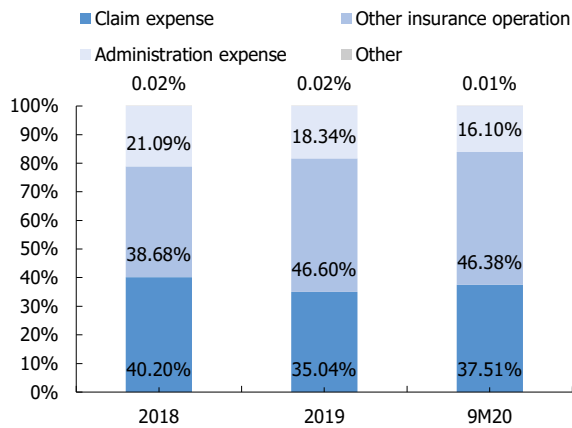
In 2020, the bancassurance revenue climbed 50% compared to 2019. MIG will continue to develop this distribution channel through augmenting cooperation with bank branches from MBBank, Vietcombank, MSB... Furthermore, the company had applied digitalization in distribution from beginning of 2020 and received positive feedbacks. As one of the key targets, MIG will invest more in digitalization. This strategy will help MIG to reach more target customers, enhance user experience in order to gain more market share in this segment.

In addition, the decree 70/2020-ND-CP is a positive signal towards company's main insurance business. For MIG, vehicle insurance is the most critical when it generated more than 50% percent in insurance premium for the company in 2019. The decree 70/2020 provided 50% decrease in registration fee for automobiles until the end of 2020. Besides that, the government aims to encourage the development of domestic car market in the short future. The sale growth rate for automobile under 9 seats is steady at 20%-30%. The number of car sold is forecasted to reach 1 million per year in 2025. Therefore, if MIG can materialize this opportunity from this trend, the rise in the ranking will be more promising.

### **PB valuation is higher than other peers**

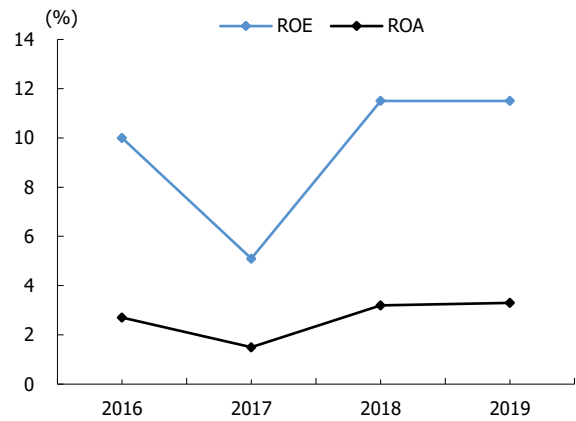
MIG will be officially traded on HSX from January 21<sup>st</sup> 2021 with reference price at VND15,500/share. At this price, PB ratio is 1.36x, higher than PB ratio of other non-life insurance players which are listed. At this point of time, our recommendation for MIG is HOLD with target price at VND15,500/share.

**Figure 1. MIG cost Structure**



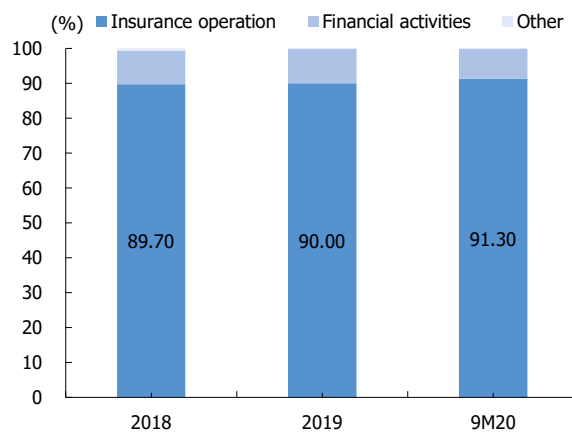
Source: Company data, KIS

**Figure 2. ROA & ROE**



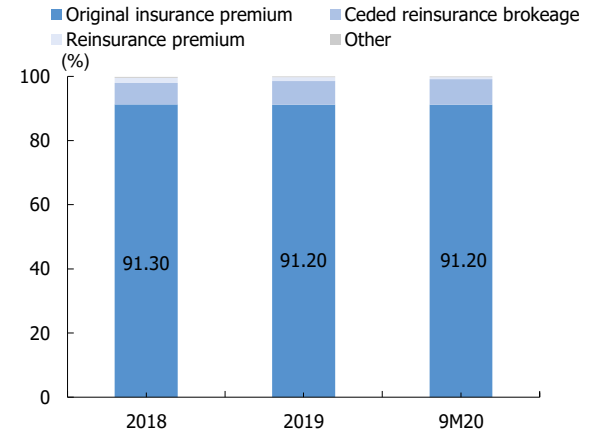
Source: Fiiipro, KIS

**Figure 3. MIG revenue structure**



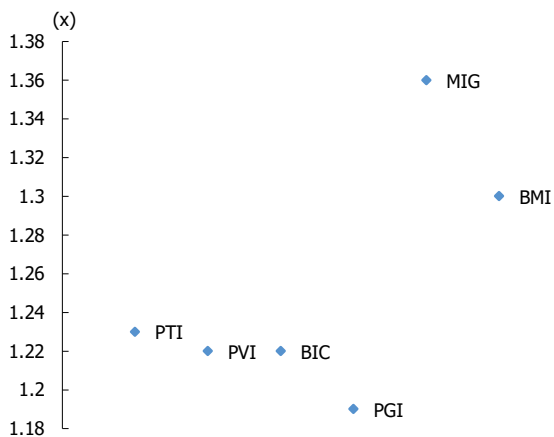
Source: Company data, KIS

**Figure 4. MIG revenue structure from insurance operation**



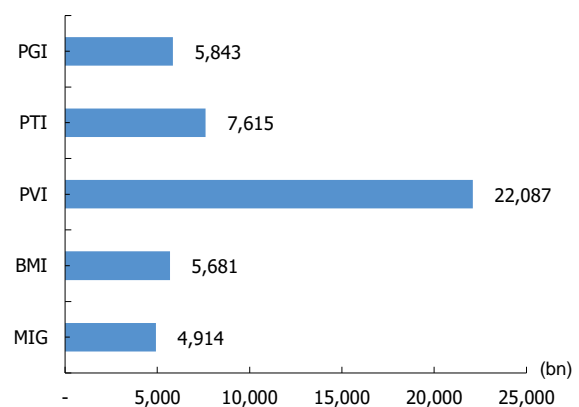
Source: Company data, KIS

**Figure 5. PB Valuation of listed non-life insurance companies (x)**



Source: Fiiipro, KIS

**Figure 6. Total Asset of listed non-life insurance companies**



Source: Company data, KIS

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