

5 Feb 2021

Bao Viet Holdings (BVH)

Financial activities saved FY20 earning

2020 revenue growth rate lagged behind

In 4Q20, Bao Viet pegged insurance premium revenue as VND10,629bn (+6.9% yoy) which was in line with increasing pitch of 9M20. Full year 2020 figure was VND38,187bn (+6.6% yoy).

While life insurance still accounted for over 70% in insurance revenue mix with growth rate 10% yoy, original non-life insurance premium sank 6% yoy and reinsurance premium also reduced by 21.7%

Net revenue from insurance operation was VND34,485bn for FY2020, slightly increased 3.5% yoy and also lagged behind industry growths of 15% yoy. This growth rate is also slumped if we compare with average annual growth rate of BVH 2016-2019 as 18%

Huge amount recorded for mathematic reserves

FY2020 claim settlement expense raised by 7.3% yoy to VND29,741bn, underwriting expense also climbed 5.2% yoy to VND6,770bn. In general, total direct insurance expense was VND36,694bn (+8.3% yoy).

Interpreting in insurance financial ratios, loss ratio was 88.9% (+4.5%p yoy), expense ratio was 22% (+2.0%p yoy) and combination ratio is 110% (+6.0%p yoy). In fact, Bao Viet was able to decrease the claim paid for non-life insurance 18.8% yoy while the paid amount for life insurance had minor increase as 0.5%. The reason for increase in claim settlement expense can be claimed to mathematic reserves (+VND3,571bn, equivalent to +23% yoy).

As insurance revenue growth rate was not in tandem with the increasing velocity of insurance operating expense, it made the net loss from insurance operation leap to VND5,969bn (+39.4% yoy) in FY2020.

	2016A	2017A	2018A	2019A	2020A
Net sales (VND bn)	19,009	24,042	29,063	33,309	34,484
Insurance operating profit (VND bn)	400	536	(2,618)	(765)	(2,401)
EBITDA (VND bn)	1,399	1,934	1,422	1,512	1,908
Net profit (VND bn)	1,165	1,603	1,175	1,243	1,604
EPS (VND)	1,651	2,286	1,565	1,689	2,078
PE (x)	34	24	34	34	41
ROE (%)	8.36	11.05	7.52	6.72	7.69
Dividend yield (%)	1.87	1.87	1.87	1.50	-

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

Analysts who prepared this report are registered as research analysts in Vietnam but not in any other jurisdiction, including the U.S. PLEASE SEE ANALYST CERTIFICATIONS AND IMPORTANT DISCLOSURES & DISCLAIMERS AT THE END OF THIS REPORT.

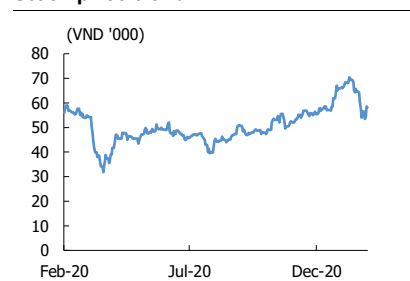
Stock Data

VNIndex (04 Feb, pt)	1,112
Stock price (04 Feb, VND)	58,100
Market cap (USD mn)	1,903
Shares outstanding (mn)	742
52-Week high/low (VND)	70,400/31,835
6M avg. daily turnover (USD mn)	2.46
Free float / Foreign ownership (%)	31.9/28.0
Major shareholders (%)	
Ministry of Finance	65.0
Sumitomo Life Insurance Company	22.2

Performance

	1M	6M	12M
Absolute (%)	(12.4)	30.2	5.4
Relative to VNIndex (%p)	(11.7)	(4.3)	(17.4)

Stock price trend



Source: Bloomberg

Tri Duong

tri.dd@kisvn.vn

Soaring profit from financial activities keeps healthy earning

However, BVH's financial activities have experienced impressive results since 2Q20. FY20 profit from financial activities was VND7,742bn (+36.1% yoy). In particular, the growth rates in 2Q20, 3Q20 and 4Q20 were +86.9% yoy, +32.1% yoy and +31.6% yoy respectively.

BVH achieved splendid financial profit by 1) improving financial income to VND9,496bn (+20.6% yoy) and 2) cutting financial expense to VND1,754bn (-19.7% yoy).

Notably in 2020, BVH received total interest income of VND5,717bn (+24.4% yoy). In addition, the income from securities investment also increased 2.71 times yoy to VND661bn. This amount may come from divestment of BVH at PVM, ND2 and VGC in 2020.

As of the end of 2020, they were successfully above the target with net profit as VND1,604bn, completed 160% of 2020 goal.

BVH's growing motivations for 2021

There are motivations that can support for BVH's growth such as:

- At the end of November 2019, market witnessed remarkable M&A deal between BVH and Sumitomo Life. We evaluate this not only provide capital for expanding goal but BVH can also leverage expertise and infrastructure from foreign partner.
- During "new normal" practice, BVH showed that they adapted well as a leader in digital transformation. Going forward, the company keep developing e-commerce distribution channel, Bao Viet Digital system and online shopping through eshop.
- In the 1H21 review, HoSE applied new stock selection rule for the VN30Index in November 2020. Officially, BVH was added back into VN30 index from 1st Feb 2021.

Table 1. BVH's Financial ratios

	2016	2017	2018	2019	2020
Loss Ratio (%)	77	76	90	84	89
Expense Ratio (%)	23	25	22	20	22
Combination Ratio (%)	100	101	112	104	110
Quick Ratio	0.48	0.54	0.67	0.70	0.71

Source: Company data, KIS

■ **Guide to KIS Vietnam Securities Corp. stock ratings based on 12-month forward performance**

- BUY: Expected total return will be 15% or more
- Hold: Expected total return will be between -5% and 15%
- Sell: Expected total return will be -5% or less
- KIS Vietnam Securities Corp. does not offer target prices for stocks with Hold or Sell ratings.

■ **Guide to KIS Vietnam Securities Corp. sector ratings for the next 12 months**

- Overweight: Recommend increasing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.
- Neutral: Recommend maintaining the sector's weighting in the portfolio in line with its respective weighting in the VNIndex based on market capitalization.
- Underweight: Recommend reducing the sector's weighting in the portfolio compared to its respective weighting in the VNIndex based on market capitalization.

■ **Analyst Certification**

I/We, as the research analyst/analysts who prepared this report, do hereby certify that the views expressed in this research report accurately reflect my/our personal views about the subject securities and issuers discussed in this report. I/We do hereby also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

■ **Important compliance notice**

As of the end of the month immediately preceding the date of publication of the research report or the public appearance (or the end of the second most recent month if the publication date is less than 10 calendar days after the end of the most recent month), KIS Vietnam Securities Corp. or its affiliates does not own 1% or more of any class of common equity securities of the companies mentioned in this report.

There is no actual, material conflict of interest of the research analyst or KIS Vietnam Securities Corp. or its affiliates known at the time of publication of the research report or at the time of the public appearance.

KIS Vietnam Securities Corp. or its affiliates has not managed or co-managed a public offering of securities for the companies mentioned in this report in the past 12 months;

KIS Vietnam Securities Corp. or its affiliates has not received compensation for investment banking services from the companies mentioned in this report in the past 12 months; KIS Vietnam Securities Corp. or its affiliates does not expect to receive or intend to seek compensation for investment banking services from the companies mentioned in this report in the next 3 months.

KIS Vietnam Securities Corp. or its affiliates was not making a market in securities of the companies mentioned in this report at the time that the research report was published.

KIS Vietnam Securities Corp. does not own over 1% of shares of the companies mentioned in this report as of 5 Feb 2021.

KIS Vietnam Securities Corp. has not provided this report to various third parties.

Neither the analyst/analysts who prepared this report nor their associates own any shares of the company/companies mentioned in this report as of 5 Feb 2021.

KIS Vietnam Securities Corp. has not issued CW with underlying stocks of Bao Viet Holdings (BVH) and is the liquidity provider.

Prepared by: Tri Duong

Global Disclaimer

■ General

This research report and marketing materials for Vietnamese securities are originally prepared and issued by the Research Center of KIS Vietnam Securities Corp., an organization licensed with the State Securities Commission of Vietnam. The analyst(s) who participated in preparing and issuing this research report and marketing materials is/are licensed and regulated by the State Securities Commission of Vietnam in Vietnam only. This report and marketing materials are copyrighted and may not be copied, redistributed, forwarded or altered in any way without the consent of KIS Vietnam Securities Corp..

This research report and marketing materials are for information purposes only. They are not and should not be construed as an offer or solicitation of an offer to purchase or sell any securities or other financial instruments or to participate in any trading strategy. This research report and marketing materials do not provide individually tailored investment advice. This research report and marketing materials do not take into account individual investor circumstances, objectives or needs, and are not intended as recommendations of particular securities, financial instruments or strategies to any particular investor. The securities and other financial instruments discussed in this research report and marketing materials may not be suitable for all investors. The recipient of this research report and marketing materials must make their own independent decisions regarding any securities or financial instruments mentioned herein and investors should seek the advice of a financial adviser. KIS Vietnam Securities Corp. does not undertake that investors will obtain any profits, nor will it share with investors any investment profits. KIS Vietnam Securities Corp., its affiliates, or their affiliates and directors, officers, employees or agents of each of them disclaim any and all responsibility or liability whatsoever for any loss (director consequential) or damage arising out of the use of all or any part of this report or its contents or otherwise arising in connection therewith. Information and opinions contained herein are subject to change without notice and may differ or be contrary to opinions expressed by other business areas or KIS Vietnam Securities Corp. The final investment decision is based on the client's judgment, and this research report and marketing materials cannot be used as evidence in any legal dispute related to investment decisions.

■ Country-specific disclaimer

United States: This report is distributed in the U.S. by Korea Investment & Securities America, Inc., a member of FINRA/SIPC, and is only intended for major U.S. institutional investors as defined in Rule 15a-6(a)(2) under the U.S. Securities Exchange Act of 1934. All U.S. persons that receive this document by their acceptance thereof represent and warrant that they are a major U.S. institutional investor and have not received this report under any express or implied understanding that they will direct commission income to Korea Investment & Securities, Co., Ltd. or its affiliates. Pursuant to Rule 15a-6(a)(3), any U.S. recipient of this document wishing to effect a transaction in any securities discussed herein should contact and place orders with Korea Investment & Securities America, Inc., which accepts responsibility for the contents of this report in the U.S. The securities described in this report may not have been registered under the U.S. Securities Act of 1933, as amended, and, in such case, may not be offered or sold in the U.S. or to U.S. person absent registration or an applicable exemption from the registration requirement.

United Kingdom: This report is not an invitation nor is it intended to be an inducement to engage in investment activity for the purpose of section 21 of the Financial Services and Markets Act 2000 of the United Kingdom ("FSMA"). To the extent that this report does constitute such an invitation or inducement, it is directed only at (i) persons who are investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) of the United Kingdom (the "Financial Promotion Order"); (ii) persons who fall within Articles 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order; and (iii) any other persons to whom this report can, for the purposes of section 21 of FSMA, otherwise lawfully be made (all such persons together being referred to as "relevant persons"). Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons. Persons who are not relevant persons must not act or rely on this report.

Hong Kong: This research report and marketing materials may be distributed in Hong Kong to institutional clients by Korea Investment & Securities Asia Limited (KISA), a Hong Kong representative subsidiary of Korea Investment & Securities Co., Ltd., and may not otherwise be distributed to any other party. KISA provides equity sales service to institutional clients in Hong Kong for Korean securities under its sole discretion, and is thus solely responsible for provision of the aforementioned equity selling activities in Hong Kong. All requests by and correspondence with Hong Kong investors involving securities discussed in this report and marketing materials must be effected through KISA, which is registered with The Securities & Futures Commission (SFC) of Hong Kong. Korea Investment & Securities Co., Ltd. is not a registered financial institution under Hong Kong's SFC.

Singapore: This report is provided pursuant to the financial advisory licensing exemption under Regulation 27(1)(e) of the Financial Advisers Regulation of Singapore and accordingly may only be provided to persons in Singapore who are "institutional investors" as defined in Section 4A of the Securities and Futures Act, Chapter 289 of Singapore. This report is intended only for the person to whom Korea Investment & Securities Co., Ltd. has provided this report and such person may not send, forward or transmit in any way this report or any copy of this report to any other person. Please contact Korea Investment & Securities Singapore Pte Ltd in respect of any matters arising from, or in connection with, the analysis or report (Contact Number: 65 6501 5600).

Copyright © 2021 KIS Vietnam Securities Corp.. All rights reserved. No part of this report may be reproduced or distributed in any manner without permission of KIS Vietnam Securities Corp..