



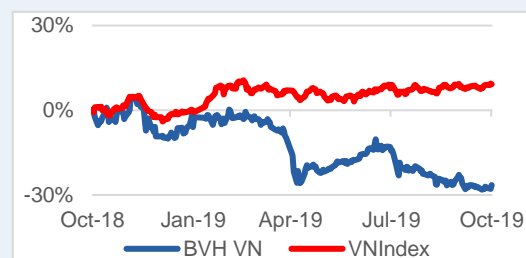
## Bao Viet Holdings (BVH)

## Earnings Flash

<b>Industry:</b>	<b>Insurance</b>		<b>2018</b>	<b>9M/19</b>	<b>2019F</b>
<b>Report Date:</b>	<b>October 31, 2019</b>				
Current Price:	VND72,100	GWP (y/y)	23%	15%	19%
Target Price:	VND90,900	NWP (y/y)	21%	15%	18%
Upside to TP:	+26.1%	Life/total premia	68%	70%	69%
Dividend Yield:	1.4%	Portfolio/equity	6.23	6.63	6.01
TSR:	+27.5%	Combined ratio	122%	104%	116%
Rating	O-PF	EPS growth (y/y)	-31%	-22%	9%

Market Cap:	USD2.1bn		<b>BVH</b>	<b>Peers*</b>	<b>VNI</b>
Foreign Room:	USD504mn	P/E (ttm)	51.2	13.0	16.6
ADTV30D:	USD340,000	P/B (curr)	3.2	1.4	2.5
State Ownership:	72%	ROE (ttm)	6.2%	10.3%	14.8%
Outstanding Shares:	700.9 mn	ROA (ttm)	0.9%	0.7%	2.5%
Fully Diluted Shares:	700.9 mn				

\* regional peers, median values



### Company Overview

BVH is a diversified financial group founded in 1965 as a wholly state-owned company in the general insurance industry. It began selling life insurance in 1996 and subsequently opened other subsidiaries and associates in brokerage, banking and fund management.

Cameron Joyce, CFA  
 Manager

[cameron.joyce@vcsc.com.vn](mailto:cameron.joyce@vcsc.com.vn)  
 +8428 3914 3588 ext. 163

## 9M 2019 NPAT-MI broadly in line with expectations

- BVH's 9M 2019 NPAT-MI was in line with our expectation at VND1tn (USD42.9mn), which was an increase of 11% YoY. Lower-than-expected investment income was offset by a lower-than-expected underwriting loss due to lower G&A, underwriting and mathematical reserve expenses.
- Gross written premium (GWP) grew 14% to VND26tn (USD1.12bn) and achieved 70% of our FY 2019 target, which is in line with our expectation given that growth usually picks up in Q4.
- Underwriting expenses and G&A expenses were contained at VND4.7tn and VND2.7tn, growing only 6% and 1% YoY, respectively. This, and lower-than-expected mathematical reserve expenses, contributed to a lower-than-expected operating loss of VND3.1tn (USD132mn) for the period; this reached only 56% of our FY estimate.
- As expected, net investment income of VND4.2tn (USD180mn) more than compensated for the operating loss. However, gross investment income was down 21% from a high base in 2018 to VND5.7tn. This was lower than our expectation and achieved only 64% of our FY estimate, which we suspect could be due to lower Government bond yields during the period.

**Figure: BVH's 9M 2019 results, VND bn**

	9M 2018	9M 2019	YoY	2019F	% of VCSC's 2019 forecast
Gross written premium	22,773	25,992	14%	37,345	70%
of which - Life	15,498	18,197	17%	26,048	70%
of which - Non-life	7,276	7,794	7%	11,297	69%
Re-insurance premium	187	181	-4%	218	83%
Unearned premium reserve	(665)	(278)	-58%	(551)	50%
Outward reinsurance	(1,769)	(2,223)	26%	(3,165)	70%
<b>Net premium</b>	<b>20,527</b>	<b>23,672</b>	<b>15%</b>	<b>34,693</b>	<b>68%</b>
Other premiums earned	373	313	-16%	293	107%
Claims and losses	(18,868)	(19,705)	4%	(28,536)	69%
of which - math expense	(11,323)	(10,501)	-7%	(16,150)	65%
Underwriting expense	(4,449)	(4,700)	6%	(7,556)	62%
G&A expense	(2,634)	(2,663)	1%	(3,933)	68%
<b>Operating income</b>	<b>(5,050)</b>	<b>(3,084)</b>	<b>-39%</b>	<b>(5,482)</b>	<b>56%</b>
Investment income	7,251	5,745	-21%	8,960	64%
Financial expense	(1,207)	(1,561)	29%	(2,077)	75%
<b>Net financial income</b>	<b>6,044</b>	<b>4,184</b>	<b>-31%</b>	<b>6,883</b>	<b>61%</b>
Other income	134	170	27%	104	
<b>PBT</b>	<b>1,128</b>	<b>1,270</b>	<b>13%</b>	<b>1,654</b>	<b>77%</b>
Income tax expense	(186)	(229)	23%	(298)	77%
<b>NPAT</b>	<b>942</b>	<b>1,042</b>	<b>11%</b>	<b>1,356</b>	<b>77%</b>
Minority interest	(37)	(37)		49	
<b>NPAT-MI</b>	<b>905</b>	<b>1,004</b>	<b>11%</b>	<b>1,307</b>	<b>77%</b>
Shares outstanding (mn)	701	701	0%	742	
<b>EPS (VND)</b>	<b>1,327</b>	<b>1,438</b>	<b>8%</b>	<b>1,707</b>	<b>84%</b>

Source: BVH, VCSC

## VCSC Rating System

**Stock ratings** are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + dividend yield, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

**Target prices** are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

**Risks:** Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative.

## Disclaimer

### Analyst Certification of Independence

I, Cameron Joyce, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. We also certify that no part of our compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Institutional Equities and Investment Banking. VCSC and its officers, directors and employees may have positions in any securities mentioned in this document (or in any related investment) and may from time to time add to or dispose of any such securities (or investment). VCSC may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment.

Copyright 2013 Viet Capital Securities Company "VCSC". All rights reserved. This report has been prepared on the basis of information believed to be reliable at the time of publication. VCSC makes no representation or warranty regarding the completeness and accuracy of such information. Opinions, estimates and projection expressed in this report represent the current views of the author at the date of publication only. They do not necessarily reflect the opinions of VCSC and are subject to change without notice. This report is provided, for information purposes only, to institutional investors and retail clients of VCSC in Vietnam and overseas in accordance to relevant laws and regulations explicit to the country where this report is distributed, and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction. Investors must make their investment decisions based upon independent advice subject to their particular financial situation and investment objectives. This report may not be copied, reproduced, published or redistributed by any person for any purpose without the written permission of an authorized representative of VCSC. Please cite sources when quoting.

**U.K. and European Economic Area (EEA):** Unless specified to the contrary, issued and approved for distribution in the U.K. and the EEA by VCSC has been prepared in accordance with VCSC's policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Many European regulators require a firm to establish, implement and maintain such a policy. This report has been issued in the U.K. only to persons of a kind described in Article 19 (5), 38, 47 and 49 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons being referred to as "relevant persons"). This document must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is only available to relevant persons and will be engaged in only with relevant persons. In other EEA countries, the report has been issued to persons regarded as professional investors (or equivalent) in their home jurisdiction.

**Australia:** This material is issued and distributed by VCSC in Australia to "wholesale clients" only. VCSC does not issue or distribute this material to "retail clients". The recipient of this material must not distribute it to any third party or outside Australia without the prior written consent of VCSC. For the purposes of this paragraph the terms "wholesale client" and "retail client" have the meanings given to them in section 761G of the Corporations Act 2001. **Hong Kong:** The 1% ownership disclosure as of the previous month end satisfies the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission. (For research published within the first ten days of the month, the disclosure may be based on the month end data from two months prior.) **Japan:** There is a risk that a loss may occur due to a change in the price of the shares in the case of share trading, and that a loss may occur due to the exchange rate in the case of foreign share trading. In the case of share trading, VCSC will be receiving a brokerage fee and consumption tax (shouhizei) calculated by multiplying the executed price by the commission rate which was individually agreed between VCSC and the customer in advance. **Korea:** This report may have been edited or contributed to from time to time by affiliates of VCSC. **Singapore:** VCSC and/or its affiliates may have a holding in any of the securities discussed in this report; for securities where the holding is 1% or greater, the specific holding is disclosed in the Important Disclosures section above. **India:** For private circulation only, not for sale. **Pakistan:** For private circulation only, not for sale. **New Zealand:** This material is issued and distributed by VCSC in New Zealand only to persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money. VCSC does not issue or distribute this material to members of "the public" as determined in accordance with section 3 of the Securities Act 1978. The recipient of this material must not distribute it to any third party or outside New Zealand without the prior written consent of VCSC. **Canada:** The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, or solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. The information contained herein is under no circumstances to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed judgment upon these materials, the information contained herein or the merits of the securities described herein, and any representation to the contrary is an offence.

**Dubai:** This report has been issued to persons regarded as professional clients as defined under the DFSA rules. **United States:** This research report prepared by VCSC is distributed in the United States to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Decker&Co, LLC, a broker-dealer registered in the US (registered under Section 15 of Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Decker&Co, LLC in the US shall be borne by Decker&Co, LLC. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if VCSC Broker or Decker&Co, LLC is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Decker&Co, LLC and VCSC is permitted to provide research material concerning investment to you under relevant legislation and regulations.

## Contacts

### Corporate

[www.vcsc.com.vn](http://www.vcsc.com.vn)

#### Head Office

Bitexco Financial Tower, 2 Hai Trieu Street  
District 1, HCMC  
+84 28 3914 3588

#### Transaction Office

10 Nguyen Hue Street  
District 1, HCMC  
+84 28 3914 3588

### Research

**Research Team:** +84 28 3914 3588  
[research@vcsc.com.vn](mailto:research@vcsc.com.vn)

#### Banks and Securities

##### Long Ngo, Associate Director, ext 123

- Nghia Dien, Analyst, ext 138
- Anh Dinh, Analyst, ext 139
- Truc Ngo, Analyst, ext 116

#### Consumer and Pharma

##### Phap Dang, Associate Director, ext 143

- Dao Nguyen, Manager, ext 185
- Nghia Le, Analyst, ext 181

#### Real Estate, Construction and Materials

##### Hong Luu, Senior Manager, ext 120

- Anh Nguyen, Senior Analyst, ext 174
- Vy Nguyen, Senior Analyst, ext 147

#### Retail Client Research

##### Duc Vu, Senior Manager, ext 363

- Ha Dao, Analyst, ext 194
- Tra Vuong, Analyst, ext 365
- Trung Nguyen, Analyst, ext 129

### Institutional Sales and Brokerage

& Foreign Individuals

#### Dung Nguyen

+84 28 3914 3588 ext 136  
[dung.nguyen@vcsc.com.vn](mailto:dung.nguyen@vcsc.com.vn)

### Retail & Corporate Brokerage

#### Ho Chi Minh City

Quynh Chau  
+84 28 3914 3588, ext 222  
[quynh.chau@vcsc.com.vn](mailto:quynh.chau@vcsc.com.vn)

#### Hanoi Branch

109 Tran Hung Dao  
Hoan Kiem District, Hanoi  
+84 24 6262 6999

#### Transaction Office

236-238 Nguyen Cong Tru Street  
District 1, HCMC  
+84 28 3914 3588

#### Alastair Macdonald, Head of Research, ext 105

[alastair.macdonald@vcsc.com.vn](mailto:alastair.macdonald@vcsc.com.vn)

#### Macro and Insurance

- Cameron Joyce, Manager, ext 163

#### Macro

- Luong Hoang, Senior Analyst, ext 364
- Nguyen Truong, Analyst, ext 132

#### Oil & Gas and Power

##### Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Senior Analyst, ext 135
- Thanh Nguyen, Analyst, ext 173
- Duc Le, Analyst, ext 196

#### Industrials and Transportation

- Nam Hoang, Senior Analyst, ext 124
- Dang Thai, Analyst, ext 149

#### Hanoi

Quang Nguyen  
+84 24 6262 6999, ext 312  
[quang.nguyen@vcsc.com.vn](mailto:quang.nguyen@vcsc.com.vn)