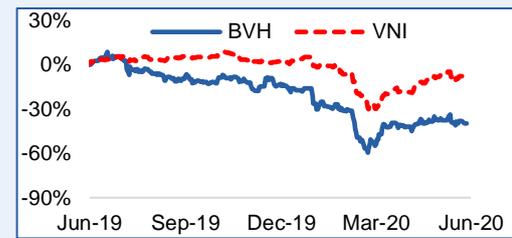


Industry:	Insurance		2019A	2020F	2021F	2022F
<b>Report Date:</b>	<b>June 30, 2020</b>					
Current Price:	VND45,750	Direct premium (y/y)	14.0%	11.6%	14.4%	16.5%
Current Target Price:	VND58,000	Net premium (y/y)	14.7%	11.3%	14.9%	17.0%
Upside to TP:	26.8%	Life/total premium	68.6%	71.2%	72.8%	74.2%
Dividend Yield:	1.7%	Portfolio/equity	5.67	6.64	7.55	8.73
TSR:	28.5%	Net ROI	5.5%	5.0%	4.8%	4.8%
Rating:	OUTPERFORM	Retention ratio	90.6%	90.5%	91.0%	91.4%
		EPS growth (y/y)	7.9%	-25.0%	18.3%	28.5%
Market Cap:	USD1.5bn			<u>BVH</u>	<u>Peers</u>	<u>VNI</u>
Foreign Room:	USD306mn	P/E (ttm)		35.0x	8.9x	13.7x
ADTV30D:	USD1.2mn	P/B (curr)		1.8x	1.6x	1.9x
State Ownership:	68.0%	ROE		5.3%	16.5%	13.5%
Outstanding Shares:	742 mn	ROA		0.7%	1.8%	2.4%
Fully Diluted Shares:	742 mn					



### 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.

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## BVH reiterates ambition to lead in total direct premiums

- We attended BVH's AGM on June 29, 2020, in Hanoi. The main agenda was to review 2019 business results, approve 2020 targets, approve the resignation of a BOD member (Mr. Nguyen Minh Hoang) and elect two additional BOD members.
- The Q&A session focused on the achievement of the 2015-2020 strategy, the orientation of the 2021-2025 strategy, the interest of Sumitomo Life in upcoming fundraising and 6M 2020 results.
- 2020 guidance includes consolidated revenue (including investment income) of VND44.96tn (+0.2% YoY) and NPAT of VND1.18tn (-5.0% YoY; 20.0% above our forecast).
- The AGM approved an 8% cash dividend on par value for FY2019 — lower than our expectation of 10%. 2020 dividend guidance was not given; however, management promises for a dividend payout ratio at a minimum of 50% of actual 2020 NPAT. We note that BVH has a history of paying a cash dividend.
- We currently have an OUTPERFORM rating on BVH with a target price of VND58,000/share.

**BVH claimed its 2015-2020 strategy has been fundamentally accomplished.** At the AGM, the Chairman assessed that BVH primarily accomplished several important qualitative objectives of its 2015-2020 strategy up until 2019, especially holding the first place in total direct premium for both the life and non-life sectors (note that this first place claim for life does not stand when measured on direct new business premium). The Chairman claimed the company will make great efforts to achieve 2020 revenue of VND45tn to fulfill the target set out in the 2015-2020 strategy, as well as NPAT of VND1.2tn to fulfill 96% the target set out in the 2015-2020 strategy. Regarding the 2021-2025 strategy, the Chairman said that the detailed strategy will be proposed to shareholders at the 2021 AGM but the main objectives for the upcoming period include the following points: (1) achieving first place in terms of total direct premium in both the life and non-life sectors, (2) maintaining a leading position in fund management and financial services, (3) maintaining high but selective growth, (4) reducing costs and (5) upgrading IT infrastructure. No specific financial objectives for the 2021-2025 period were disclosed at the AGM.

### Sumitomo Life expressed its interest of participating in BVH's capital raising in the future.

Answering questions from the shareholders regarding the participation of Sumitomo Life in BVH's pending fundraising, Mr. Shimmen — a member of BOD and the only representative of Sumitomo Life at the AGM — stated that Sumitomo Life was pleased to see the success of the previous capital raising prior to the COVID-19 outbreak. Mr. Shimmen emphasized that the previous capital raised was indispensable for the development of BVH. Sumitomo Life aims to be a long-term partner of BVH and expressed its interest in participating in BVH's future capital raising.

### Management stated that 2020 guidance is aggressive given the impact of COVID-19.

The CEO shared that COVID-19 has negatively affected the economy and the insurance industry — especially the life insurance sector as hiring and organizing conferences for customers have faced difficulties

due to social distancing rules. However, 6M 2020 consolidated revenue is estimated to reach VND22.2tn — achieving 49.3% of 2020 guidance — thanks to overlapping revenue from Q4 2019 and the minimal effect of the pandemic on BVH’s partners. The CEO believes that the impact of COVID-19 on BVH’s partners will be greater in Q3-Q4 2020 and therefore believes that the H2 2020 outlook remains difficult.

**Management explained BVH’s capital utilization since the private placement implementation.**

Accordingly, between December 18, 2019 and May 31, 2020, the company allocated VND850bn for its subsidiaries, VND13.7tn for IT development and the remaining unused capital in deposits. This allocation explains why the Q1 deposit balance increased by VND13.8tn (+20.1% QoQ). Management also claims to allocate funds for its subsidiaries based on the needs for each year, which is in line with our current assumption regarding the solvency issue.

**The AGM approved to elect one additional member to the BOD for the 2018-2023 term.**

The company received only one proposal from the Ministry of Finance (MOF) to elect Mr. Nguyen Dinh An — the current CEO of Bao Viet Fund Management — to be a new member of the BOD. As a result, only one new BOD member was elected vs the company’s target of two members prior to the AGM.

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**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.
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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.

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