

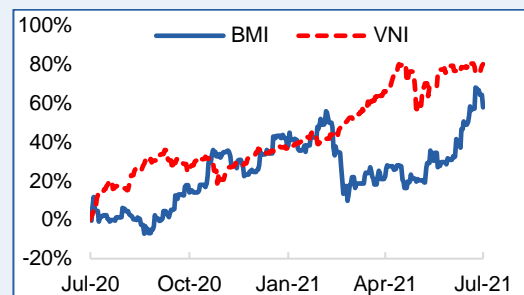
Bao Minh Insurance (BMI)

Earnings Flash

Industry:	Insurance		2020	H1 21	2021F
Report Date:	July 15, 2021				
Current Price:	VND38,400	Direct prem. YoY	10.7%	6.9%	6.8%
Target Price*:	VND34,500	Net prem. YoY	10.4%	-3.3%	9.1%
Upside:	-10.2%	NPAT YoY	-6.1%	31.6%	15.1%
Dividend Yield:	0.0%	EPS growth y/y	-6.1%	31.6%	15.1%
TSR:	-10.2%	Portfolio/equity (x)	1.30x	1.34x	1.38x
Rating*:	MARKET PERFORM	Net ROI	6.7%	8.1%	5.9%
		Combined ratio	99.9%	94.0%	98.8%

* TP and rating last updated June 1, 2021

Market Cap:	USD153mn		BMI	Peers	VNI
Foreign Room:	USD0mn	P/E (ttm)	15.7x	9.4x	17.9x
ADTV30D:	USD0.8mn	P/B (curr)	1.5x	1.2x	2.6x
State Ownership:	50.70%	ROE (ttm)	8.5%	12.0%	14.9%
Outstanding Shares:	91 mn	ROA	3.2%	3.7%	2.4%
Fully Diluted Shares:	91 mn				



Company Overview

BMI was founded in 1994 as a product of a spin-off from Bao Viet's largest branch. It operates in three main segments: non-life insurance, reinsurance and financial investments. As of 2020, BMI was the fourth largest non-life insurance company in Vietnam and had a 7.6% market share.

Resilient top line, drop in expense ratio drive profits

Tu Hoang
Analyst
tu.hoang@vcsc.com.vn
+84 28 3914 3588 ext. 139

BMI released consolidated results for H1 2021 with gross written premium of VND2.4tn (USD106mn; +7.0% YoY) and NPAT-MI of VND120bn (USD5.2mn; +31.6% YoY), achieving 47.1% and 53.4% of our FY2021 forecasts, respectively. The increase in the bottom line for the first half of 2021 was mainly due to (1) a 7.0% YoY rise in gross written premium, (2) 12.3% YoY drop in underwriting expenses and (3) 31.9% YoY increase in net financial income.

Long Ngo
Associate Director
long.ngo@vcsc.com.vn
+84 28 3914 3588 ext. 123

- Q2 2021 total direct premium was reported at VND1.1tn (USD48mn; +10.3% YoY). Q2 2021 net written premium (NWP) was VND896bn (USD39mn; +7.3% YoY), implying a retention ratio of 72.2% vs 74.9% in the same period in 2020.
- The combined ratio in Q2 2021 was 97.8% (-7.0 ppts YoY) with the loss ratio and expense ratio at 34.9% (+8.5 ppts YoY) and 62.9% (-15.5 ppts YoY), respectively.
- Net financial income in Q2 2021 reached VND41bn (USD1.8mn), decreasing 41% YoY compared to in Q2 2020.
- We do not anticipate material changes to our 2021F earnings forecast, pending for a fuller review.

BMI delivered single-digit YoY premium growth in H1 2021 BMI recorded 6.9% YoY growth in total direct premium in H1 2021. Q2 2021 direct premium alone stood at VND1.1tn, which was up 10.3% YoY. Although we note that Q2 direct premium historically tends to be lower than that of Q1, the second quarter this year has bucked that pattern. This can be seen as a positive signal amid the prolonged effects of COVID-19 as well as the increased competitive pressure from the relatively new presence of HD Insurance and its potential impact on the credit insurance segment. However, the bottom-line impact of this premium growth in Q2 2021 was diluted due to a decline in BMI's retention ratio to 72.2% vs 74.9% in Q2 2020 and 73.2% in Q1 2021.

H1 2021 combined ratio decreased by nearly five ppts thanks to an improved expense ratio. A reduced expense ratio was recorded at 59.8% in H1 2021 (-9.8 ppts YoY), which was partly offset by a 4.9-ppt YoY increase in the loss ratio. The most significant item causing the fall in the expense ratio was a 12.3% YoY decline in underwriting expense in H1 2021. However, on a QoQ basis, the expense ratio in Q2 2021 increased by 6.2 ppts while the loss ratio declined 2.4 ppts.

A jump in unearned premium reserve was a drag on the bottom line in H1 2021. The figure in H1 2021 was significant at VND95bn (USD4.1mn) vs a negligible number in H1 2020. This is because BMI only started to book an increased amount of reserve for unearned premium beginning

in H2 2020. Q1 2021 continued this trend with VND71bn (USD3.1mn) booked for unearned premium reserve.

Figure 1: BMI's consolidated H1 2021 results

VND bn	H1 2020	H1 2021	YoY	Q2 2020	Q2 2021	YoY
Direct premium	2,035	2,175	6.9%	998	1,100	10.3%
Inward reinsurance premium	245	263	7.4%	116	140	21.0%
Gross written premium	2,280	2,439	7.0%	1,114	1,240	11.4%
Outward reinsurance premium	(542)	(665)	22.7%	(279)	(345)	23.5%
Net written premium	1,738	1,773	2.1%	834	896	7.3%
Unearned premium reserve	(1)	(95)	6891.2%	7	(24)	N.M.
Net earned premium	1,736	1,678	-3.3%	842	872	3.6%
Other premiums earned	97	97	0.3%	47	52	12.0%
Claims and losses	(540)	(605)	12.0%	(222)	(304)	36.9%
- of which: net claims	(552)	(587)	6.4%	(263)	(304)	15.7%
Underwriting expense	(1,210)	(1,061)	-12.3%	(654)	(563)	-13.9%
G&A expense	(57)	(68)	19.6%	(26)	(38)	46.9%
Operating income	26	41	56.1%	(14)	19	N.M.
Financial income	120	139	15.8%	72	59	-18.9%
Financial expense	(41)	(35)	-15.3%	(2)	(17)	605.1%
Net financial income	79	105	31.9%	70	41	-41.0%
PBT	109	150	36.7%	58	62	6.3%
NPAT	91	120	31.6%	50	50	-0.8%
Minority interest	-	-	-	-	-	-
NPAT-MI	91	120	31.6%	50	50	-0.8%
Loss ratio	31.1%	36.0%	4.9 ppts	26.4%	34.9%	8.5 ppts
Expense ratio	69.6%	59.8%	-9.8 ppts	78.4%	62.9%	-15.5 ppts
Combined ratio	100.7%	95.9%	-4.8 ppts	104.8%	97.8%	-7.0 ppts

Source: BMI, VCSC



VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, 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, Tu Hoang, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my 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 issued 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

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

Banks, Securities and Insurance

Long Ngo, Associate Director, ext 123

- Truc Ngo, Analyst, ext 116
- Tu Hoang, Analyst, ext 139
- Ngoc Huynh, Analyst, ext 138

Consumer and Pharma

Phap Dang, Associate Director, ext 143

- Ha Dao, Senior Analyst, ext 194
- Son Tran, Senior Analyst, ext 185
- Vinh Bui, Analyst, ext 191

Real Estate, Construction and Materials

Hong Luu, Senior Manager, ext 120

- Vy Nguyen, Manager, ext 147
- Duc Pham, Analyst, ext 174

Retail Client Research

Duc Vu, Senior Manager, ext 363

- Trung Nguyen, Senior Analyst, ext 129
- Anh Tong, Analyst, ext 363
- Ha Bui, Analyst, ext 364

Institutional Sales and Brokerage

& Foreign Individuals

Dung Nguyen

+84 28 3914 3588, ext 136
dung.nguyen@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

Macro

Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

Oil & Gas and Power

Duong Dinh, Senior Manager, ext 140

- Tram Ngo, Manager, ext 135
- Nghia Le, Analyst, ext 181
- Duc Le, Analyst, ext 196

Industrials and Transportation

Nam Hoang, Manager, ext 124

- Dang Thai, Senior Analyst, ext 149
- Huy Phan, Analyst, ext 173

Retail & Corporate Brokerage

Ho Chi Minh & Hanoi

Quynh Chau

+84 28 3914 3588, ext 222
quynh.chau@vcsc.com.vn