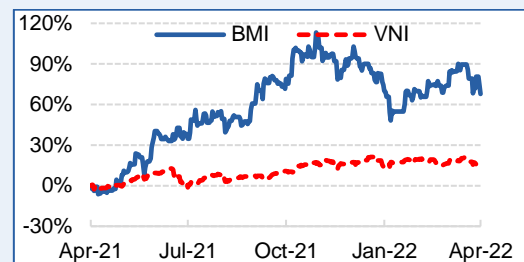


# Bao Minh Insurance (BMI)

# Earnings Flash

<b>Industry:</b>	<b>Insurance</b>		<b>2021</b>	<b>Q1'22</b>	<b>2022F</b>
<b>Report Date:</b>	<b>April 19, 2022</b>				
Current Price:	VND38,500	Direct prem. YoY	4.6%	16.3%	15.0%
Target Price*:	VND39,200	Net prem. YoY	0.7%	19.9%	18.8%
Upside	+1.8%	NPAT YoY	28.3%	1.5%	25.8%
Dividend Yield:	+2.6%	EPS growth y/y	29.8%	-8.8%	25.8%
TSR	4.4%	Portfolio/equity (x)	1.44x	1.57x	1.56x
Rating*:	MARKET PERFORM	Net ROI	7.0%	4.4%	7.0%
		Combined ratio	98.6%	87.2%	98.0%
Market Cap:	USD184mn		<b>BMI</b>	<b>Peers</b>	<b>VNI</b>
Foreign Room:	USD33mn	P/E (ttm)	16.8x	15.5x	16.3x
ADTV30D:	USD1.4mn	P/B (curr)	1.9x	1.7x	2.5x
State Ownership:	50.70%	ROE (ttm)	10.9%	13.7%	15.4%
Outstanding Shares:	110 mn	ROA	3.5%	3.7%	2.5%
Fully Diluted Shares:	110 mn				

\* TP and rating last updated February 21, 2022



## 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 2021, BMI was the fourth-largest non-life insurance company in Vietnam as it had a 7.8% market share.

**Ngoc Huynh**

Analyst

[ngoc.huynh@vcsc.com.vn](mailto:ngoc.huynh@vcsc.com.vn)

+84 28 3914 3588 ext. 138

**Long Ngo**

Associate Director

[long.ngo@vcsc.com.vn](mailto:long.ngo@vcsc.com.vn)

+84 28 3914 3588 ext. 123

## Rebound in premium growth in line with expectations

BMI released business results for Q1 2022 with gross written premium of VND1.4tn (USD60mn; +15.6% YoY) and NPAT of VND71bn (USD3.1mn; +1.5% YoY), achieving 24% and 23% of our FY2022 forecasts, respectively. The slight increase in the bottom line was mainly due to (1) a 15.6% YoY increase in gross written premium and (2) 4.9% YoY decrease in claim expenses that outweighed (3) a 16.8% YoY increase in underwriting expenses and (4) 38.6% YoY decrease in net financial income.

- Q1 2022 total direct premium was VND1.3tn (USD54mn; +16.3% YoY).
- Q1 2022 net written premium (NWP) was VND1.1tn (USD46mn; +19.9% YoY), implying a retention ratio of 76.0% vs 74.0% in 2021 and fulfilling 24% of our full-year forecast.
- The combined ratio in Q1 2022 was 87.2% (-6.8 ppts YoY) with the loss ratio and expense ratio at 32.0% (-5.3 ppts YoY) and 55.2% (-1.5 ppts YoY), respectively.
- Q1 2022 net financial income was VND39bn (USD1.7mn; -38.6% YoY), completing 15% of our full-year forecast.
- The bottom line trailed our forecast because of the shortfall in net financial income.

**BMI delivered double-digit YoY direct premium growth on a quarterly basis for the first time since Q4 2020.** In 2021, BMI's total direct premium growth ranged from 2.2% YoY to 6.9% YoY on a quarterly basis. In Q1 2022, total direct premium growth was 16.3% YoY, which is in line with our expectation that 2022F will deliver stronger direct premium growth of 15% YoY vs only 4.6% YoY in 2021. Although the unaudited financial statements do not provide details of premiums from each product line, we believe the strong premium growth in Q1 2022 could be driven by robust premiums from health & personal accident insurance as premiums from this product line jumped 19% YoY in 2021 and increased their contribution to total premium from 33.5% in 2020 to 38% in 2021. Moreover, the return of normal mobility conditions could have supported the demand for vehicle insurance and aviation insurance, in our view.

**Q1 2022 combined ratio continued to track down.** The loss ratio was 32.0% in Q1 2022 (-5.3 ppts YoY; -12 ppts QoQ), which was driven by (1) a 4.9% YoY decrease in claim expenses and (2) 10.8% YoY increase in net earned premium. In Q4 2021, claims increased while the loss ratio increased 14 ppts QoQ as life in Vietnam reverted back to normal, partly reflecting pent-up claims from Q3 2021 due to social distancing. Therefore, the QoQ decrease in the Q1 2022 loss ratio is directionally within our expectation. However, the Q1 2022 loss ratio of 32.0% is still lower than the 2021 loss ratio of 36.6%, which we believe could be due to (1) a strong increase in the

premium contribution from healthcare & personal accident insurance and (2) decreased premiums from vehicle insurance throughout 2021.

**Q1 2022 net financial income plunged 38.6% YoY from a high base in Q1 2021**, representing 55% of Q1 2022 PBT (vs 74% in 2021). We believe that (1) the rising stock market and (2) higher dividends from long-term investments created a high base for BMI's net financial income in Q1 2021.

**Figure 1: BMI's Q1 2022 results**

VND bn	Q1 2021	Q1 2022	YoY
<b>Direct premium</b>	<b>1,075</b>	<b>1,251</b>	<b>16.3%</b>
Inward reinsurance premium	123	135	9.2%
<b>Gross written premium</b>	<b>1,199</b>	<b>1,385</b>	<b>15.6%</b>
Outward reinsurance premium	(321)	(333)	3.7%
<b>Net written premium</b>	<b>878</b>	<b>1,053</b>	<b>19.9%</b>
Unearned premium reserve	(71)	(159)	122.6%
<b>Net earned premium</b>	<b>806</b>	<b>894</b>	<b>10.8%</b>
Other premiums earned	45	49	10.1%
Claims and losses	(301)	(286)	-4.9%
- of which: net claims	(283)	(317)	11.9%
Underwriting expense	(498)	(581)	16.8%
G&A expense	(30)	(27)	-10.0%
<b>Operating income</b>	<b>22</b>	<b>48</b>	<b>118.7%</b>
Financial income	81	57	-29.1%
Financial expense	(17)	(18)	6.0%
<b>Net financial income</b>	<b>63</b>	<b>39</b>	<b>-38.6%</b>
PBT	88	89	1.6%
<b>NPAT</b>	<b>70</b>	<b>71</b>	<b>1.5%</b>
Loss ratio	37.3%	32.0%	-5.3 ppts
Expense ratio	56.7%	55.2%	-1.5 ppts
Combined ratio	94.0%	87.2%	-6.8 ppts

Source: BMI, 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%
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## Contacts

### Corporate

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

#### Head Office

Bitexco Financial Tower, 15th Floor  
2 Hai Trieu Street, District 1, HCMC  
+84 28 3914 3588

#### Transaction Office Nguyen Hue

Vinatex Building, 1st & 3rd Floor  
10 Nguyen Hue Street, District 1, HCMC  
+84 28 3914 3588 (417)

#### Transaction Office Dong Da

9 Nguyen Ngoc Doan,  
Dong Da District, Hanoi  
+84 24 6262 6999

#### Hanoi Branch

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

#### Transaction Office Nguyen Cong Tru

Floor 6B, 236-238 Nguyen Cong Tru Street  
District 1, HCMC  
+84 28 3914 3588 (400)

#### Transaction Office ABS

Sailing Tower, 8th Floor,  
111A Pasteur Street, District 1, HCMC  
+84 28 3914 3588 (403)

### Research

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

**Alastair Macdonald, Head of Research, ext 105**  
[alastair.macdonald@vcsc.com.vn](mailto:alastair.macdonald@vcsc.com.vn)

#### Banks, Securities and Insurance

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

- Truc Ngo, Analyst, ext 116
- Ngoc Huynh, Analyst, ext 138
- Nhan Nguyen, Analyst, ext 139

#### Macro

##### Luong Hoang, Manager, ext 364

- Nguyen Truong, Senior Analyst, ext 132

#### Consumer

##### Nam Hoang, Manager, ext 124

- Ha Dao, Senior Analyst, ext 194
- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173

#### Oil & Gas and Power

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

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

#### Real Estate and Infrastructure

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

- Dang Thai, Senior Analyst, ext 149
- Duc Pham, Analyst, ext 174

#### Materials and Industrials

##### Vy Nguyen, Manager, ext 147

- Vinh Bui, Analyst, ext 149

#### 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

### Brokerage and Institutional Sales & Trading

#### Tuan Nhan

##### Managing Director, Brokerage & Institutional Sales & Trading

+84 28 3914 3588, ext 107  
[tuan.nhan@vcsc.com.vn](mailto:tuan.nhan@vcsc.com.vn)

#### Quynh Chau

##### Managing Director Brokerage

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