

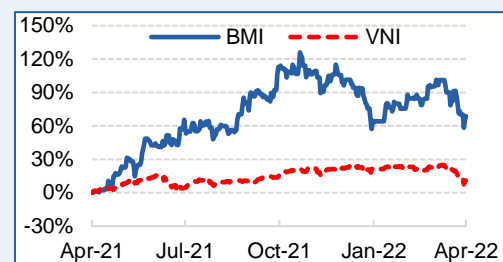


Bao Minh Insurance (BMI)

AGM Note

Industry:	Insurance				
Report Date:	April 28, 2022				
Current Price:	VND36,500	Direct premium y/y	4.6%	15.0%	10.0%
Target Price*:	VND39,200	Net premium y/y	0.7%	18.8%	13.7%
Upside:	1.8%	NPAT y/y	28.3%	25.8%	10.4%
Dividend Yield:	2.7%	EPS growth y/y	29.8%	25.8%	10.4%
TSR:	4.4%	Portfolio/equity (x)	1.44x	1.56x	1.73x
Rating*:	MARKET PERFORM	Net ROI	7.0%	7.0%	6.6%
		Combined ratio	98.6%	98.0%	98.0%
					97.7%

* TP and rating last updated February 21, 2022



Market Cap:	USD174mn		BMI	Peers	VNI
Foreign Room:	USD31mn	P/E (ttm)	15.9x	13.8x	15.2x
ADTV30D:	USD1.3mn	P/B (curr)	1.8x	1.7x	2.4x
State Ownership:	50.7%	ROE (ttm)	10.9%	15.1%	15.7%
Outstanding Shares:	110 mn	ROA (ttm)	3.5%	3.9%	2.6%
Fully Diluted Shares:	110 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 2021, BMI was the fourth largest non-life insurance company in Vietnam with 7.8% market share.

Management guides for combined ratio improvement

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- We attended BMI's online AGM on April 28. The main agenda included BMI's 2022 business plan, 2022-2025 strategy and cash dividend.
- The Q&A session focused on the divestment progress by the State Capital Investment Corporation (SCIC) and AXA, in addition to BMI's overall business outlook.
- 2022 guidance includes total direct insurance premium of VND4.8tn (USD210mn; +7.2% YoY), profit before tax (PBT) of VND340bn (USD15mn; +11% YoY) — 12% lower than our 2022 forecast) — and a minimum ROE of 10%. We note that PBT in 2020 and 2021 exceeded BMI's guidance by 6% and 11%, respectively.
- Shareholders approved a cash dividend for FY2021 at 15% of par value (VND1,500/share). BMI also proposed a dividend of 15% for FY2022.
- We currently have a MARKET PERFORM rating for BMI with a target price of VND39,200/share.

BMI expects revenue growth in 2022 to be driven by its core business. Management guides for 6.7% YoY total revenue growth in 2022 that will be driven by (1) 7.2% YoY growth in direct premium and (2) 6.0% YoY growth in inward reinsurance premium. Meanwhile, financial income and revenue from investment properties are expected to be flat in 2022 vs 2021. Management shared that property insurance, cargo insurance, reinsurance and especially fire & explosion insurance are riskier as it is harder for insurers to control the loss ratio. On the other hand, healthcare & personal accident insurance and vehicle insurance are BMI's most important product lines and have the highest retention ratios. Therefore, BMI targets for higher-than-market premium growth for these product lines with major distribution channels including traditional agents, brokers and bancassurance. Furthermore, BMI's combined ratio improved 1 ppt in 2021 vs 2020; management expects the combined ratio to decrease 0.5 ppt in 2022 vs 2021.

Revenue reduction from HD Saison (HDS) and Home Credit (HC) was within management's expectation. According to BMI's disclosure, 2021 revenue from HDS and HC was VND952bn (-21% YoY). In addition, 2021 revenue from HDS decreased VND172bn vs 2020. At HDBank's recent AGM meeting, the bank's management said that HD Insurance was its strategic partner in non-life bancassurance; we believe this is the main reason for the weak sales in HDS's channels.

Shareholders approved a cash dividend for FY2021 at 15% of par value (VND1,500/share). Based on the announced timeline, the cash dividend for FY2021 will be paid in Q2 2022.

BMI proposed its 2022-2025 business strategy. BMI guides for revenue growth of 6% per year and PBT growth of 9% per year in 2023-2025. In addition, BMI expects to pay a cash dividend at 12% of par value (VND1,200/share) per year for the same period.

Divestment by the SCIC and AXA is still pending regulatory approval. In the Q&A session, management shared that all necessary documents related to the divestment were completed but refused to disclose the selling price or potential buyers. BMI is waiting for the State Securities Commission (SSC) to approve the new FOL at 100%. In addition, management claimed that Decision No.360/QD-TTg issued in March 2022 — which approved the project of “restructuring State-owned enterprises (SOEs), focusing on economic groups and State-owned corporations in the period of 2021-2025” — is another reason that hinders the SCIC and AXA’s divestment of BMI as it could require the SCIC to review all of its investments as well as the divestment timeline.



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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
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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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