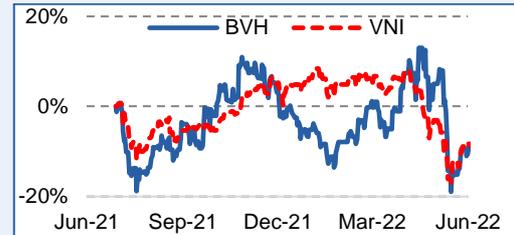


Industry:	Insurance		2021	2022F	2023F	2024F
<b>Report Date:</b>	<b>June 30, 2022</b>	Direct premium (y/y)	4.7%	14.6%	14.1%	12.0%
Current Price:	VND52,500	Net premium (y/y)	5.3%	16.2%	14.3%	12.1%
Target Price*:	VND65,800	Life/total premium	74.3%	77.4%	78.3%	79.1%
Upside to TP:	25.3%	Net ROI	5.7%	5.3%	5.4%	5.4%
Dividend Yield:	1.9%	EPS growth (y/y)	19.3%	28.5%	21.7%	18.7%
TSR:	27.2%	P/E	20.5x	16.0x	13.1x	11.0x
Rating*:	BUY	P/B	1.8x	1.7x	1.5x	1.4x



\* Last updated June 1, 2022

Market Cap:	USD1.7bn		BVH	Peers	VNI	Company overview
Foreign Room:	USD386mn	P/E (ttm)	20.5x	9.6x	13.0x	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.
ADTV30D:	USD3.5mn	P/B (curr)	1.8x	1.0x	2.0x	
State Ownership:	68.0%	ROE	9.0%	11.9%	15.6%	
Outstanding Shares:	742 mn	ROA	1.2%	1.4%	2.5%	
Fully Diluted Shares:	742 mn					

## 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

## Record high cash dividend plan

- BVH's AGM was held in Hanoi on June 29. The main agenda was to review 2021 business results as well as to approve 2022 business targets, a cash dividend plan for FY2021 and BOD personnel changes for the 2021-2023 term.
- 2022 guidance includes parent company revenue of VND1.530tn (+2.7% YoY) and NPAT of VND1.05tn (+1.9% YoY). The expected return on charter capital (ROCC) (with charter capital of VND7.423tn) was set at 14.1%. Consolidated level 2022 guidance was not included in the proposal to AGM.
- The AGM approved a 30.261% cash dividend on par value for FY2021 (vs only 8.985% for FY2020), which is VND3,026/share and implies a 5.8% dividend yield based on the current share price — much higher than our expectation of 10% of par value.
- The Q&A section focused on BVH's performance in H1 2022 and the company's long-term capital raising plan.
- We currently have a BUY rating for BVH with a target price of VND65,800/share.

**Management provided preliminary H1 2022 results.** In the Q&A session, management shared that H1 2022 results were in line with the targets proposed at the AGM as consolidated NPAT was VND805bn (completing 50.3% of the business target) and parent NPAT was VND526bn (completing 50.1% of AGM guidance). We estimate that H1 2022 consolidated results completed around 31.3% of our full-year forecast, tracking behind our expectation. According to management, the parent company and most of its subsidiaries completed around 50% of their business targets in H1 2022 — with the exception of Bao Viet Securities, whose H1 2022 profit completed around 40% of the full-year target due to the unfavorable securities market in Q2 2022. Overall, the business guidance of BVH at the parent level is conservative, in our view.

**BVH announced the highest cash dividend plan in its history.** Shareholders approved a 30.261% cash dividend on par value for FY2021, which equates to VND3,026/share. According to the proposal, BVH will pay a cash dividend for FY2021 using all accumulated retained earnings after funds appropriation of VND2.246tn in order to comply with Decree No.140/2020/ND-CP issued in late November 2020 that requires an enterprise with over 50% of charter capital (or total voting shares) held by the State to ensure remaining profits after funds appropriation shall be distributed in cash to shareholders or capital-contributing members (banks are excluded from this rule).

**Management will consider partially divesting from Bao Viet Insurance (non-life insurer) and Bao Viet Life (life insurer) in 2026-2030.** Management shared that despite being number one in terms of total direct premium market share, Bao Viet Life's charter capital ranked eighth at VND6tn among life insurers (FWD Vietnam is number one in terms of charter capital at VND18.5tn); as a result, raising capital is essential. However, following Decision 140, all retained earnings shall be paid to shareholders by cash; additionally, the remaining source for increasing capital currently held at the parent that can be transferred to subsidiaries is VND1.95tn as of May 31, 2022. Therefore, management said that it will consider partially divesting from the insurance subsidiaries in 2026-2030 to increase funding flexibility. While no specific plans were disclosed, we believe the options could include an IPO and listing of either or both subsidiaries, or sales to strategic investors.

**The Ministry of Finance (MoF) will remain BVH's biggest shareholder.** The MoF currently owns a 65% stake in BVH, and management stated that the MoF's ownership will be unchanged until 2025. Management might consider lowering the MoF's ownership to 51% beginning in 2026 by (1) increasing the capital contribution of other shareholders and/or (2) offering private placements. The new capital inflows should help BVH to strengthen its capital position and support its subsidiaries.

**Sumitomo Life received shareholder approval to replace one of their representatives in the BOD for the 2021-2023 term.** Shareholders approved Mr. Inami Ryota as a new BOD member to replace Mr. Teruo Shimmen. Both Mr. Ryota and Mr. Shimmen are representatives of BVH's strategic shareholder Sumitomo Life. As a result, only one new BOD member was elected vs the company's pre-AGM target of two members.

## 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.
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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.

**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.

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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

#### Head Office

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 Ham Nghi

16th Floor, Doji Tower, 81-83-83B-85 Ham Nghi 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
- Nga Ho, Analyst, ext 516

#### Macro

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

- Nguyen Truong, Senior Analyst, ext 132

#### Consumer

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

- Ha Huynh, Analyst, ext 185
- Huy Phan, Analyst, ext 173
- Nhan Nguyen, Analyst, ext 139

#### Oil & Gas and Power

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

- Tram Ngo, Manager, ext 135
- Thang Hoang, Analyst, ext 196

#### Real Estate and Infrastructure

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

- Dang Thai, Senior Analyst, ext 149
- Thuc Than, 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)

#### Dung Nguyen

##### Director Institutional Sales & Trading

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