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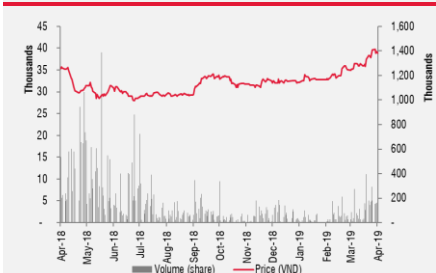
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FINANCIALS - VIETNAM

Key figures

Market cap (USD mn)	388
Market cap (VND bn)	8,990
Outstanding shares (mn)	231
52W high/low (VND 1,000)	40.1/26.1
Average 3M volume (share)	78,541
Average 3M value (USD mn)	0.12
Average 3M value (VND bn)	2.71
Foreign ownership (%)	43.9
State ownership (%)	35
Management ownership (%)	N.a

PVI Price & Trading Volume



Source: Bloomberg

Company Snapshot

PetroVietnam Insurance Corporation, the precedent of PVI Holdings, was established in 1996 as a subsidiary of Petro Vietnam Corporation. It became No. 1 industrial insurer in Vietnam, leading the material segments of non-life insurance including energy, marine, property and engineering, etc. PVI Holdings currently operates in non-life insurance, reinsurance and real estate sectors. In the non-life insurance sector, PVI Holdings is the No. 2 player, accounting for the second largest market share of around 16%.

2019 AGM Note

We recently attended the PVI 2019 AGM, and these are the key takeaways:

2018 review

VND bn	2018A	2017A	% YoY	2018P	% vs. plan
Revenue	10,340	9,029	14.5%	9,069	14.0%
Expenses	(9,595)	(8,346)	15.0%	(8,482)	13.1%
Profit before tax	745	683	9.1%	587	26.9%
Profit after tax	588	540	8.9%	458	28.4%

Source: PVI consolidated financial statements in 2017-2018

In 2018, the total gross premium of the Vietnamese non-life insurance market was estimated at VND 45.7 tn, at +10% YoY. The growth was slightly lower than 2017 results, at +10.61% YoY. Compensation ratio of the sector was 42.6%, higher than the 40.4% level attained in 2017.

2018 marks the fifth consecutive year that the PVI non-life insurance segment has been hit by the stagnancy of the oil and gas sector. This had a knock-on effect which reduced the size of the industrial insurance market, the traditional strength of PVI.

On a consolidated basis, PVI achieved a total revenue of VND 10.34 tn, at +14.5% YoY. Of which, revenue from insurance business clocked in with VND 8.2 tn at +0.44% YoY, while revenue from financial activities, office rent, and others came at VND 2.13 tn, a 149% YoY rise compared to VND 858 bn in 2017. In 2018, the company recorded most of the revenue totalling VND 2.3 tn of the Embassy Garden project (in the Western West Lake urban area), a majority of which was handed over in 2018 after three years of construction. The project possesses a net margin of 10%, and there is a small part to be handed over in 2019.

Regarding the non-life insurance business, the Company's market share of gross written premiums were reduced from 16.1% in 2017 to around 15% in 2018. However, the company continued to achieve the highest profit among insurance businesses in the sector, recording VND 168 bn in 2017 and VND 113 bn in 2018.

2018 Break-down by segment

	Revenue	% of total	PBT	% of total
Non-life insurance	8,419	81.4%	454	60.9%
Reinsurance	1,550	15.0%	155	20.8%
Fund management	39	0.4%	10	1.3%
Office rent and others	332	3.2%	126	16.9%
Total	10,340	100%	745	100%

PBT arrived to VND 745 bn at +9.1% YoY, of which, the share of total revenue originating from the non-life insurance business edged up 0.7% YoY, whereas total revenue share of the reinsurance business went up +2.6% YoY, and the portion of real estate business and others soared up +162.5% YoY. PAT recorded VND 588 bn, a +9.1% YoY rise. Total assets reached VND 19.65 tn, up slightly compared to 2018.

In the meantime, total revenue for the parent company accomplished VND 820 bn at +7.6% YoY, fulfilling 135% of the annual plan. PAT reached VND 521 bn at +7% YoY, completing 160% of the year's target.

2019 business plan

Separate Indicators (VND bn)	2019P	2018A	% YoY
Revenue	832	820	1.5%
Expenses	(294)	(299)	-1.7%
PBT	538	521	3.3%
PAT	527	510	3.3%
Cash dividend on par (%)	20%	20%	

Source: PVI

On a consolidated basis, the company plans to grow its total revenue by +5.6% YoY to VND 10.9 tn in line with the sector, of which retail sales is expected to grow by +15% YoY. PAT is planned to grow by +2.4% YoY to VND 602 bn. The combined ratio in 2019 is expected to be maintained at 96%, identical to 2018.

For the separate holdings, revenue and PAT are expected to edge up by +1.5% YoY to VND 832 bn, and by +3.3% YoY to VND 527 bn.

PVI targets to maintain their No. 1 position in non-life insurance in terms of profitability, with a focus on maintaining its sole position in the oil and gas sector, while expanding to other sectors and retail products.

Dividend

PVI Holdings approved to allocate a total of 8% of PAT into the bonus and welfare funds, which was equivalent to last year. The company paid out a cash dividend of 28% on par for 2017, and will pay a cash dividend of 20% on par for each of 2018 and 2019. The plan of paying out a 20% cash dividend for 2018 is equivalent to a dividend yield of 5.14%, and is higher than the initial plan of 12% as approved by the AGM last year.

Raising FOL to 100%

The AGM approved the resignation and election of BOD members. Accordingly, the new BOD has 9 members compared to the previous 8 members. The BOD chairman, along with three other members, are from PVN.

The AGM authorized the BOD and BOM to adjust the Company's business licence in order to raise PVI's FOL from the current 49% to 100% in 2019, with the following actions:

- Remove the following areas of operation because they cap the FOL: Wholesale of computers and software, wholesale of electronic and telecommunication equipment, information portal service, advertising, market research, rental of machinery, equipment and other tangible equipment.
- Scale down the real estate business into only the activities that FDI enterprises can do business within, in accordance with the Law of Real Estate Business 2014.

Petro Vietnam still has a plan to divest from PVI the entirety of its 35% stake.

Valuation

At the current trading price of VND 38,900 per share, PVI is trading at 2019F PER and PBR of 16.5x and 1.26x respectively, based on the company's plan. The price is equivalent to 2018 PBR and PER at 1.28x and 16.2x respectively, compared to peers' averages (excluding BVH) at 1.06x and 21.9x.

We see the divestment of PVN and the raise of the FOL to 100% as strong upside catalysts in the short-term. In the long term, raising the limits on the ownership of foreign shareholders is expected to support the company's business.

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Outperform: Expected to provide price gains of up to 10 percentage points greater than the market over next 12 months.

Market Perform: Expected to provide price gains similar to the market over next 12 months.

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