PETROLIMEX INSURANCE CORPORATION — Bloomberg: PGI VN EQUITY

THE MOST STABLE NON-LIFE INSURERS

BUY **29%**

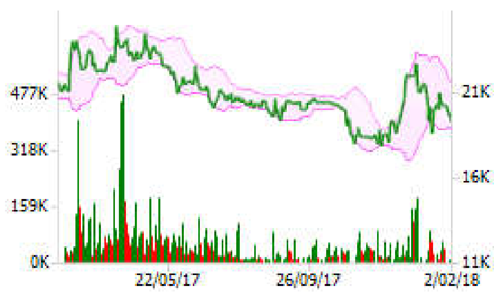
CMP (VND)	**19,800**
Target Price (VND)	**24,420**
Cash Dividend (VND)*	1,200

(*) expected in next 12 months

Stock info

Sector	Insurance
Market cap (VND bn)	1,712
Current shares (millions)	887
3M avg. volume (K)	34
Free float (%)	27
Remaining foreign room (%)	29
State ownership (%)	41

Performance



Key financials

(VND bil)	2015	2016	2017	2018F
Revenues	1,896	2,067	2,280	2,581
% yoy	8.6	9.0	10.3	13.2
PAT	93	107	136	185
% yoy	5.6	14.7	26.9	36.7
ROA (%)	2.5	2.7	3.0	3.5
ROE (%)	11.3	12.5	13.3	14.0
EPS (VND)	1,121	1,505	1,528	2,089
BV (VND)	11,271	12,897	12,619	17,366
Div (VND)	1,100	1,000	1,200	1,200
P/E (x)	14.9	13.9	13.2	9.7
P/BV (x)	1.5	1.6	1.7	1.2

*Price as of 05/02/2018

Company snapshot

PJICO Insurance Corporation (PGI – HSX) was established in 1995 and listed on the HSX in 2011. PGI is currently one of the top 5 non-life insurers, holding a 6.8% market share in terms of gross premium. Like other non-life insurers in Vietnam, PGI provides 4 major insurance services, which include motor vehicle, health and personal accident, technical property and marine insurance.

Though the insurance sector started to recover since 2012, PGI just began to experience double-digit growth in 2015 and 2016. While the total gross premium of the whole market increased ~17% from 2014 – 2016, PGI only experienced moderate growth of around 12.1%. This explains why the company lost its 4th position in the market to PTI during the middle of 2015. In spite of its slower growth momentum, PGI is well known for its decent risk and investment management, which is a typical requirement for investors who are interested in an insurance company.

Investment Rationales

- **Positive prospects for the insurance market**. Vietnam's nonlife insurance market is poised for rapid growth thanks to the country's healthy economic growth, heavy investment in infrastructure and expanding middle and affluent class.
- **PGI continued to recover and expand since 2012.** It has been able to increase its gross premium, decrease its loss ratio, and to keep its expense ratio stable.
- It is likely that interest rates will increase after bottoming out in 2016; therefore, PGI can earn higher investment income, as 89% of its portfolio is deposits.
- **PGI found a strategic partner, which is the Samsung Marine and Fire Insurance.** The cooperation will help PGI strengthen its financial health, approach more valuable contracts, which are especially with Korean partners.

2018 Outlook

- Gross premium will increase by 11.9%. We expect the automobile market to be more active to support the motor & vehicle insurance premium.
- Loss ratio in FY2018 will be to 48.2%, quite the same as the estimated figure for FY2017 as PGI is one of the most conservative insurer. Expense ratio will be stable at 51.3%; this will result in a combined ratio of 99.5%.
- Catastrophe reserves will remain stable at 2% of net earned premium.
- The PAT will reach VND185 billion; thus the EPS will be VND2,089.

Risks to Our Call

- Loss ratio increasing substantially. The automobile market comes back will support sales of motor vehicle insurance. But this segment is also very vulnerable to loss payment.
- Increasing competition.