RONG VIET SECURITIES

PRELIMINARY 2H2021 OUTLOOK

RONG VIET SECURITIES

INSURANCE

HEADWINDS IN SHORT TERM

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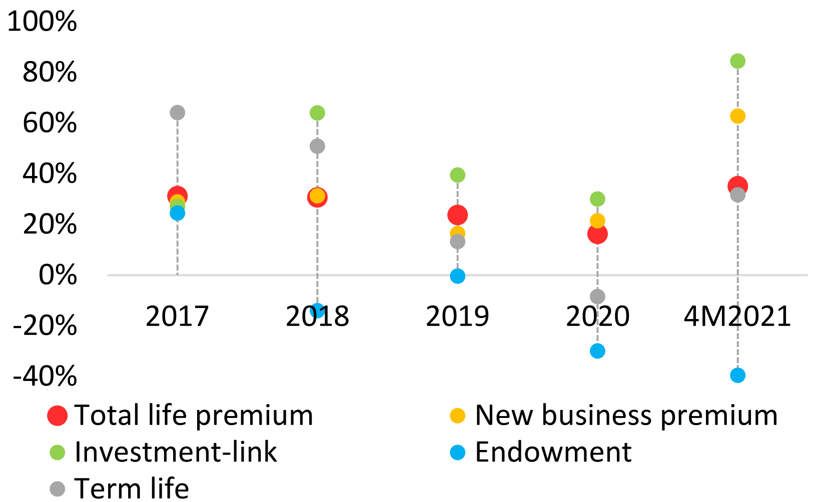
- **Total direct written premiums in 4M2021 posted VND 41,967 bn (~USD 1.8 bn, +25.4% YoY)** on the low base of the same time last year. “Softer” social distancing after the first outbreak (March and April 2020) has facilitated insurance sale activities. Fierce competition continued to narrow and reshape market shares among top five players while giving more opportunities to smaller ones.
- **Investment-link insurance once again dominated sales.** New business premiums in 4M2021 were VND 16,291 bn (~USD 708 mn), growing 62.7% YoY (4M2020: 8% YoY). Investment-link insurance products registered a growth rate of 84.4% YoY as government bond yields shank deeply in 1H2021. New business premium of endowment plummeted 39.6% YoY as a measure for relieving the mathematical provision burden.

Figure 1: 4M2021 life premium growth



Source: ISA, RongViet Securities

Figure 2: Structure of new business premium

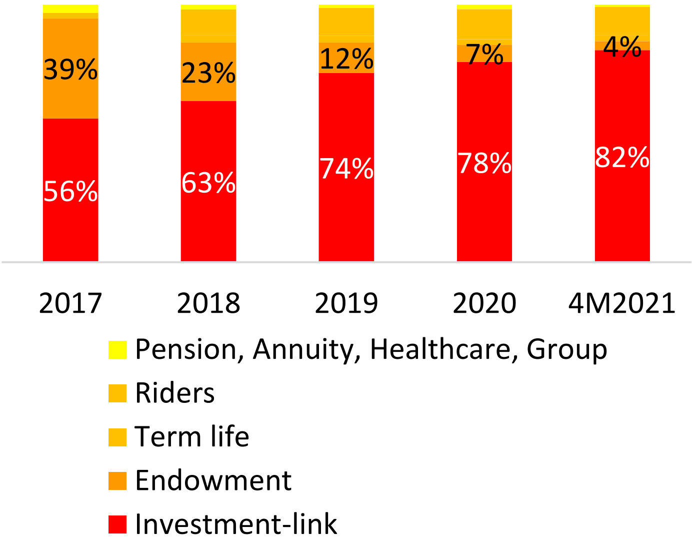
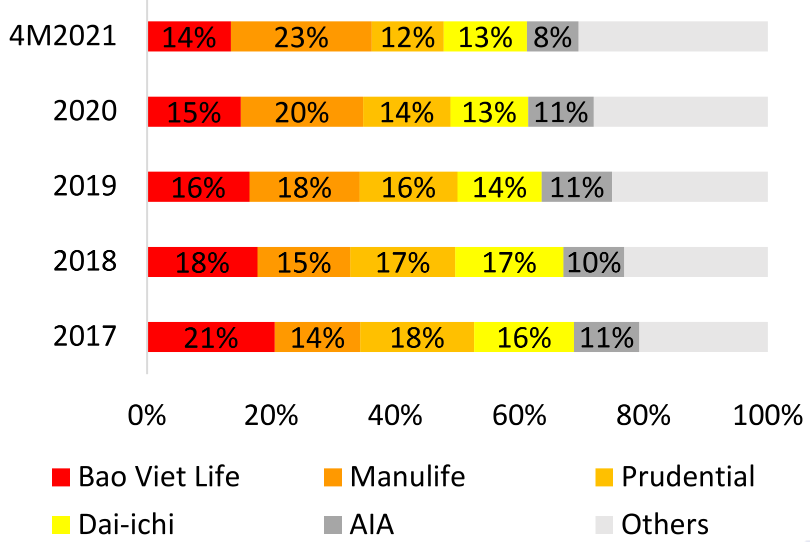


Figure 3: Market share in new business premium of top insurers

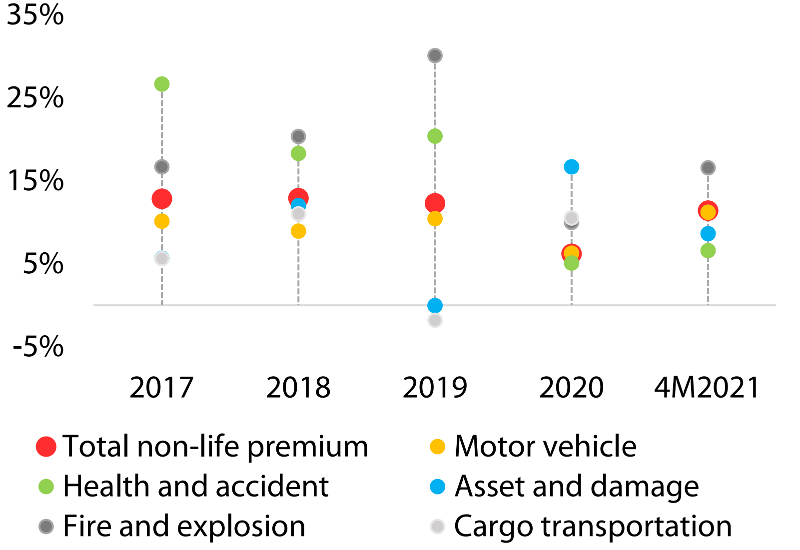


Non-life direct written premiums in 4M2021 came at VND 19,965 bn (~USD 868 mn, +11.4% YoY).

- *Healthcare insurance growth cooled off* to 6.6% YoY from the surge of 19.5% YoY in 4M2020, as since the end of March 2020 the authority required insurers to stop selling COVID-19 related healthcare insurance.
- *Sales of other major products recovered largely.* Motor vehicle insurance climbed 11.2% YoY, the strongest growth compared to the last for years, driven by the low base effect (sales fell 2% YoY in 4M2020). Asset and damage insurance growth was stable at 8.6% YoY. Fire and explosion insurance thrived 16.6% YoY, benefited from the government higher fire prevention requirements after some servere fires in the beginning of the year.

Top 5 companies continued to lose market share to smaller insurers.

Figure 4: 4M2021 non-life premium growth



Source: ISA, RongViet Securities

Figure 5: Product mix

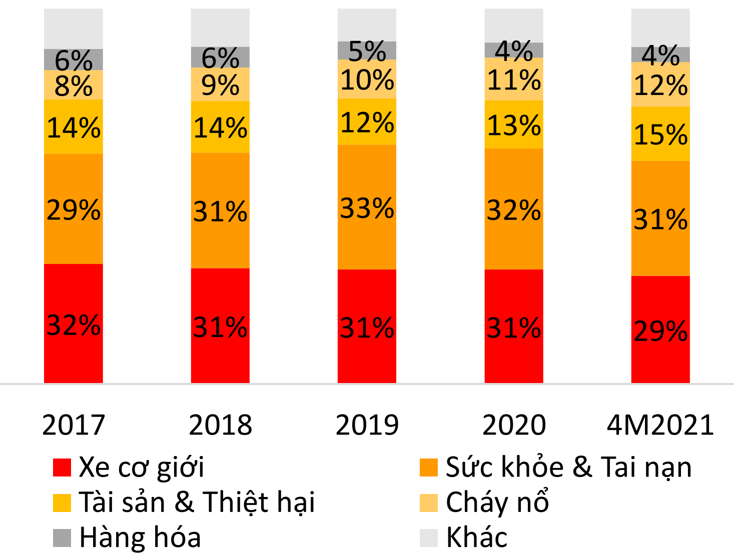


Figure 6: Market share of top insurers

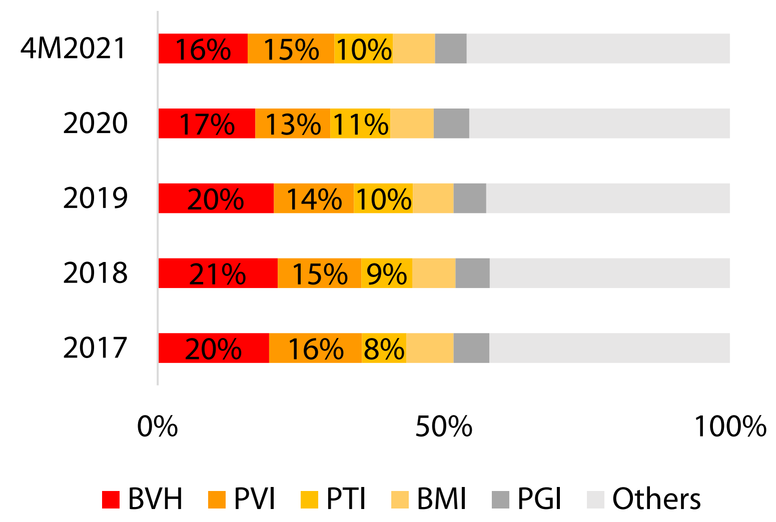
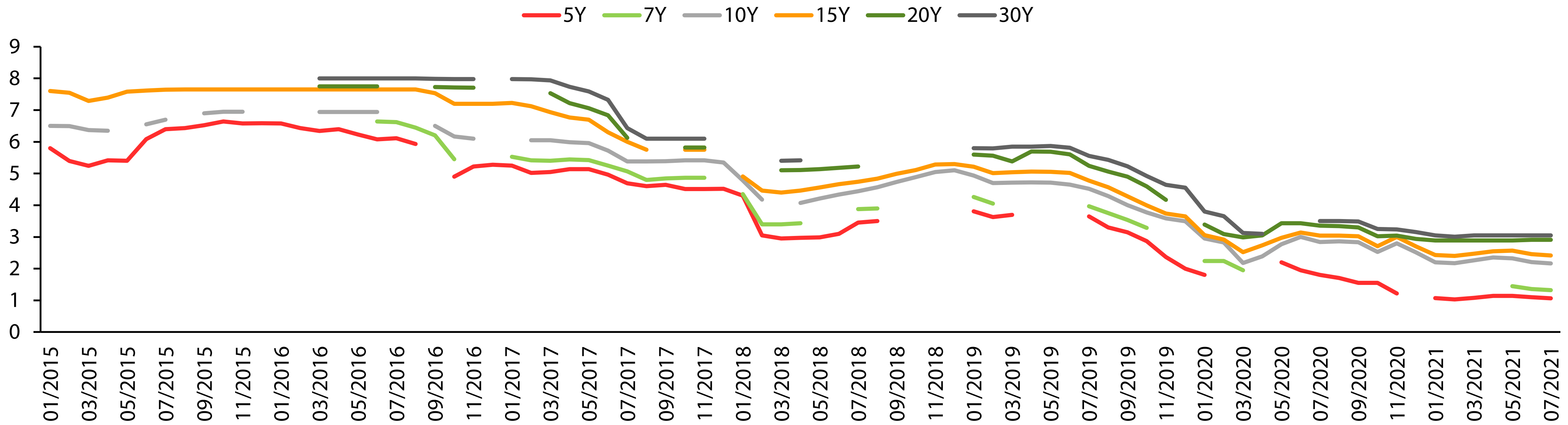


Figure 7: Vietnam government bond yields (%/year)



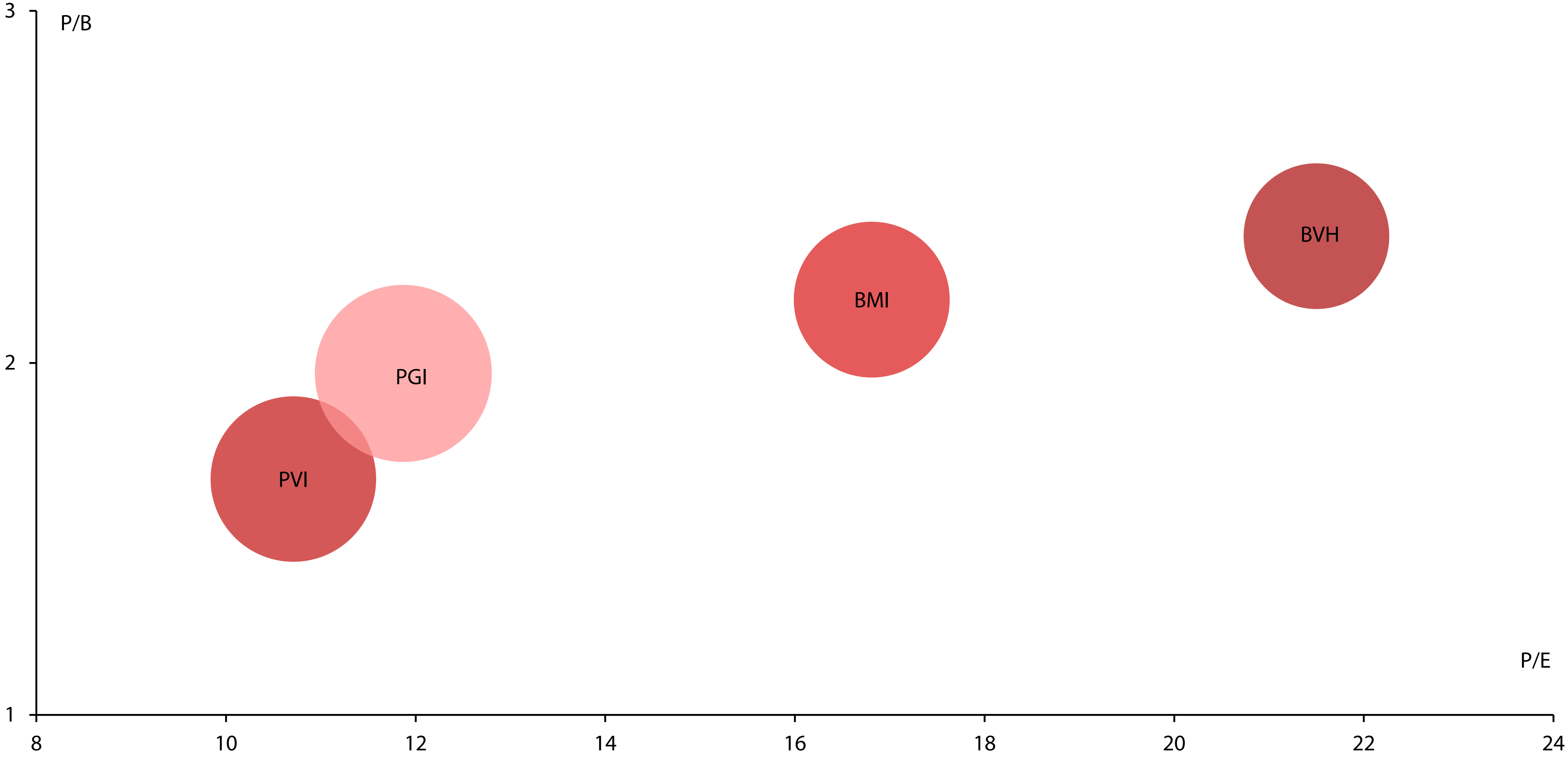
Source: HNX, RongViet Securities

Under stringent and long-lasting social distancing from mid July, sales are highly likely to slow down in Q3 before recover from Q42021.

- Q32021 will be a hard time for sales of life insurance due to consumers' income shortfalls. In terms of product mix, as the low interest rate environment tends to last long after the pandemic is contained in order to support the economic recovery, we think investment-linked insurance will lead the growth of new business premium at least in mid term.
- Similarly, sales of non-life insurance could fall or grow weakly amid (1) large scale business shutdown, (2) for firms that are still operating at low capacity, high input prices and spending on contagion prevention are squeezing their bottom line and thus, income of employees, leading to the cut of non-essential needs, including insurance, (3) the slowdown of the government's public investment programs.

Ticker	Market cap (USD mn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
PGI	98	N/A	8.8	27.9	10.5	9.1	29.2	7.5	3.6	15.0	2.1	11.9	1.5
BVH	1,784	N/A	8.1	22.7	8.3	7.7	69.0	4.9	1.2	8.5	0.0	21.5	1.9
PVI	373	N/A	4.2	7.2	23.3	24.4	13.9	17.2	3.5	11.0	5.9	10.7	1.2
BMI	162	N/A	-2.3	3.5	6.7	7.4	22.6	6.2	3.5	9.8	2.9	16.8	1.7

Source: Bloomberg, RongViet Securities. Share price as of Aug 2, 2021.



Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of Aug 2, 2021.

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