

# COMPANY UPDATE

**BAO MINH Insurance Corporation (BMI)**

NOVEMBER 7, 2008

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# BAO MINH INSURANCE CORPORATION (BMI)

## OVERVIEW

Founded in 1994 under the name Ho Chi Minh City Insurance Company, BMI was then equitized in 2004 and became Bao Minh Insurance Corporation. BMI is the second largest insurance company under the Ministry of Finance, and is the biggest non-life insurance company in HCMC. The company provides all non-life insurance services available in Vietnam, including personal life insurance, property insurance, engineering insurance, marine insurance... Since the establishment, Bao Minh has strongly developed and improved. The company was listed on Hstc in 2006, and then moved to Hse in 2007.

## INVESTMENT HIGHLIGHTS

**High potential growth industry** – Vietnam is a developing country with yearly growth rate of 6-8%, which requires strong development of the financial system. According to the development strategy for insurance industry until 2010 which has been approved by the Prime Minister, revenue growth rate of non-life insurance service is about 16.5% per year on average.

Moreover, as forecasted by BMI, revenue growth rate of non-life insurance and life insurance would increase by 25% and 21% respectively on a yearly basis.

Industry growth rate in recent years is high at 40% a year. The non-life insurance market in Vietnam has high potential for growth since available insurance products are still limited compared to that of other countries in the region. Economic integration and strong economic growth has required more and more diversified insurance products.

**One of the leading insurance companies in Vietnam** – BMI is one of the three largest non-life insurance companies in Vietnam with variety services covered by a distribution channel of 8,000 agents and 1,580 staffs on a nation-wide scale. BMI currently holds 18% market share of non-life insurance service, after BaoViet (21%) and PVI (20%); the remaining 41% is shared amongst 20 other non-life insurance companies. The company business activities are running stably and accounting for a substantial proportion in the following areas: vehicle insurance (18.7%), marine insurance (17.6%), personal life insurance (23.2%), commodity insurance (18%), and explosion insurance (26.1%).....

**High and stable revenue and profit growth** – the average revenue and profit growths for the period 2005-2007 were 28% and 25% per year, correspondingly. Also within the first 9 months of 2008, BMI has achieved more than 80% of its target revenue and profit. Therefore, the probability that BMI will fulfill its whole year target is high.

**Focusing on risk management** – with regard to risk management, BMI is the first insurance company implementing the quality management system ISO 9001:2000. In addition, the company

has entered into a contract with the foreign strategic investor AXA – the world leading corporation in financial risk management.

**Significant stakeholders** – Bao Minh has a reasonable shareholder's structure, in which 50.7% belongs to SCIC, 16.6% belongs to AXA, 20.1% is of national groups and corporations, and the remaining 12.6% is of other individual investors. Moreover, BMI has owned a significant and tradition customers' portfolio including Song Da group, Vinaconex, Vietnam Airlines....

**Secure investment portfolio** – with the strategy of preserving capital and balancing cash flow for insurance activities, BMI's investment portfolio is very safe and almost has not been impacted by strong decline in the stock market. Bao Minh also has a very low debt structure due to strong cash flow; hence, the company is not significantly influenced by fluctuation of interest rate. In fact, the company has benefited from increasing interest rate as it has a large amount of money deposited into the bank at high rate.

BMI's investment portfolio as at 30/09/2008 is as following: VND 1,196 billion in cash and deposits at bank, VND 38 billion investment in joint-venture companies, VND 1,089 billion in long term financial investment, and VND 23 billion in provision for long term financial investment devaluation.

**Attractive valuation ratios** – BMI has an attractive P/B ratio of only 0.7x (based on the price of 19,400 VND as at 07/11/2008), which makes the market value of BMI being lower than its asset value. More importantly, BMI's cash and long and short term deposits are about VND 1,600 billion but its current market value is fluctuating between VND 1,400 – 1,500 billion.

## RELATED RISKS

**Higher market competition** – with over 24 non-life insurance companies currently operating in Vietnam, the market has become more and more competitive. Most large corporations in the oil & gas and aviation areas have their own insurance companies in order to provide insurance services to their members. Therefore, such large insurance companies as Bao Viet, Bao Minh, Bao Long... have to share their market share with new established insurance companies.

**High risk of compensation** – BMI's compensation to revenue ratio is quite high, which leads to lower profit from the company insurance activities. Meanwhile, systematic risks such as natural calamity and epidemic diseases have happened more frequently in recent years, causing higher risk to insurance companies. Furthermore, other issues such as traffic accidents or industrial accidents have also become more seriously, increasing risks to the insurance industry.

## COMPANY INFORMATION

Industry	Finance - Insurance
Listed	HOSE
Ticker	BMI
Chartered Cap (VND bn)	755
52-week highest price	88.2
52-week lowest price	16.8
Avg trading vol in 10 days	25,000

## VALUATION MEASURES

Price (07/11/2008)	19.4
Market Cap (VND billion)	14,647
EPS (trailing)	1.895
P/E (trailing)	9.5x
P/B	0.7x
ROE 2007 (%)	4.27
ROA 2007 (%)	6.44

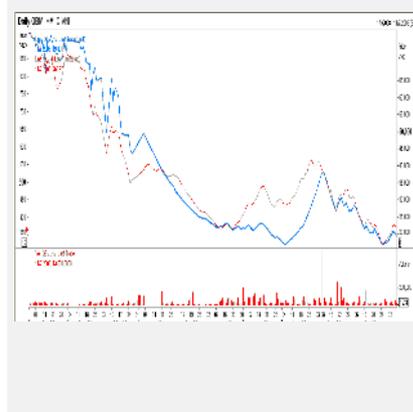
## FINANCIAL RATIO 9M-2008

Revenue (VND billion)	972.5
Net income (VND billion)	109.9
Gross margin (%)	25.7
Net margin (%)	11.3
EBITDA margin (%)	16.8
Total Assets (VND billion)	3,700
Total Equity (VND billion)	2,094
Total Debt/Total Equity (%)	0.74
ROA (%)	3.2
ROE (%)	5.3
EPS (VND)	1,455

## OWNERSHIP STRUCTURE

State (%)	50.7
Foreign (%)	24.6
Others (%)	24.7

## SHARE PRICE PERFORMANCE



## COMPARISON

	BMI	PVI
Market capital (VND mn.)	1,359	2,361
Chartered Capital (VND mn.)	755	1,036
P/E trailing	9.49	7.64
P/BV 9M/2008	0.65	0.98
ROA 2007 (%)	0.04	0.06
ROE 2007 (%)	0.06	0.14
Debt/Equity 2007	0.14	1.34
<b>2008 plan (VND mn.)</b>		
Total insurance fee	1,800	2,600
Profit before tax	136	330
<b>% achievement of the first 9 months 2008</b>		
Total insurance fee	85%	70%
Profit before tax	81%	63%

## FORECASTED FINANCIAL STATEMENTS

<b>INCOME STATEMENT (VND Billion)</b>	2006A	2007A	9M of 2008A	2008E
Revenue	948,538	1,087,240	972,500	1,275,784
Cost related to insurance activities	630,435	846,709	723,053	948,544
Gross profit	318,103	240,531	249,447	327,240
Operating Profit	3,259	(95,642)	(39,826)	(40,871)
Profit before tax	83,411	161,210	120,944	157,693
<b>Profit after tax</b>	<b>83,411</b>	<b>132,707</b>	<b>109,857</b>	<b>143,237</b>

<b>BALANCE SHEET (VND Billion)</b>	2006A	2007A	9M of 2008A	2008E
Cash	153,283	404,332	254,400	176,605
Short term investment	334,536	955,412	942,270	989,384
Short term receivable	331,980	530,112	792,150	1,039,202
Inventory	5,180	1,837	2,381	3,124
Other current asset	8,991	10,888	39,299	51,555
Fixed asset	118,992	184,464	199,903	211,520
Long term investment	465,502	972,112	1,104,208	1,101,895
Other long term investment	20,748	48,803	99,735	126,808
<b>TOTAL ASSET</b>	<b>1,439,212</b>	<b>3,107,960</b>	<b>3,434,346</b>	<b>3,700,090</b>
Short term debt	207,432	279,532	475,762	558,266
Provision funds	676,065	767,009	864,037	1,013,874
Long term debt	103	122	129	151
Chartered capital and share premium	434,000	1,888,484	1,888,484	1,888,484
Retained earnings	108,926	163,889	205,934	239,314
Other funds	12,684	8,925	0	0
<b>Total Capital</b>	<b>1,439,212</b>	<b>3,107,960</b>	<b>3,434,346</b>	<b>3,700,090</b>

<b>FINANCIAL RATIOS</b>	2006A	2007A	9M2008A	2008E
Revenue growth (%)	0.47	0.15		0.31
Gross profit margin (%)	0.34	0.22	0.26	0.26
Operating profit/sales (%)	0.09	0.12	0.11	0.11
ROA (%)	0.06	0.04	0.03	0.04
ROE (%)	0.15	0.06	0.05	0.07
EPS (VND)	1,922	1,758	1,455	1,897
EPS growth (%)	(0.02)	(0.09)		0.08

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