



Bangkok Life Assurance PCL

BLA TB Outperform

Target Price Bt 39.00

Price (11/08/2021) Bt 27.75

Upside % 40.54

Valuation DDM

Sector Insurance

Market Cap Btm 47,385

30-day avg turnover Btm 82.41

No. of shares on issue m 1,708

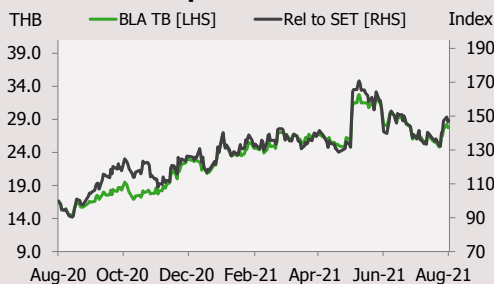
CG Scoring Excellent

Anti-Corruption Indicator Certified

Investment fundamentals

Year end Dec 31	2020A	2021E	2022E	2023E
Company Financials				
Operating Revenue (Bt m)	47,207	50,374	52,067	55,173
Core profit (Bt m)	1,479	4,478	5,211	6,020
Net profit (Bt m)	1,608	4,678	5,411	6,221
Net EPS (Bt)	0.94	2.74	3.17	3.64
DPS (Bt)	0.23	0.68	0.80	0.90
BV/shr (Bt)	27.00	29.26	31.67	34.38
Net EPS growth (%)	-63.33	190.89	15.67	14.96
ROAA (%)	0.48	1.36	1.54	1.73
ROAE (%)	3.56	9.74	10.40	11.03
D/E (x)	6.37	5.96	5.57	5.20
Valuation				
PE (x)	22.30	10.13	8.76	7.62
PBV (x)	0.78	0.95	0.88	0.81
Price / EV (x)	0.53	0.65	0.60	0.56
Dividend yield (%)	1.10	2.45	2.88	3.24

BLA TB rel SET performance



Source: Bloomberg (All figures in THB unless noted.)

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13 August 2021

Kasikorn Securities Public Company Limited

Strong operation in 2Q21

- ▶ **BLA reported 2Q21 earnings of Bt751mn (+19% YoY, -24% QoQ).** FX gain was key driver of YoY growth, while QoQ drop was driven by lower NEP.
- ▶ **Core operation was strong in 2Q21.** 2Q21 FYP increased by 44% QoQ and 80% YoY to Bt1.9bn from PAR and health insurance products.
- ▶ **We expect 3Q21 earnings to soften QoQ but rise YoY due to impact of the COVID-19 pandemic.** Maintain Outperform with target price of Bt39.

Investment Highlights

- ▶ **2Q21 earnings grew YoY but dropped QoQ.** BLA reported 2Q21 earnings of Bt751mn, up 19% YoY but down 24% QoQ. The strong YoY improvement was driven by a fair value gain of Bt82mn vs a fair value loss of Bt308mn in 2Q20 and higher net earned premium. Meanwhile, the earnings decline QoQ was due to lower NEP from RYP as a result of seasonal factors. 1H21 earnings represent 37% of our 2021 earnings forecast.
- ▶ **Core operation improved in 2Q21.** BLA reported 2Q21 FYP of Bt1.9bn, up 44% QoQ and 80% YoY, driven by strong sales from all channels and new products, specifically a participating policy (Gain 1st) and health insurance (BLA Happy Health). Apart from the strong numbers, we believe product mix improved as PAR and health insurance offer a better VNB margin. We expect VNB to continue to grow from Bt420mn in 1Q21. In addition, 2Q21 RYP grew by 5% YoY to Bt6.08bn, and the company mentioned that it saw no negative impact from COVID-19 on RYP. BLA maintained its target for RYP to grow in 2021.
- ▶ **Slightly improved ROI.** 2Q21 ROI improved slightly by 4bps QoQ but dropped by 7bps YoY to 3.96%. ROI improved QoQ on higher dividend income and gains from investment, while a decline in dividends pressured ROI YoY. Investment portfolio geared toward more fixed income instruments in 2Q21 as investment in bonds increased to 83.3% of total portfolio from 82.9% in 1Q21.
- ▶ **Expect earnings to drop slightly QoQ but rise YoY.** We expect to see a slowdown in 3Q21 earnings due mainly to the impact of the lockdown measures, which will pressure sales channels, both bancassurance and agents. Earnings are likely to drop QoQ but improve YoY in 3Q21.

Valuation and Recommendation

- ▶ We maintain our Outperform rating on BLA and target price of Bt39. The stock is currently trading below 1x PBV, which we believe is not justified. We expect its enhanced product mix, and the launching of unit-linked products in 2H21 will boost both FYP and VNB in 2021-22.



Fig 1 2Q21 earnings review

P&L (Btm)	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	QoQ, %	YoY, %	Comment
Net earned premium (NEP)	6,677	9,743	7,765	9,153	7,770	-15%	16%	
Increase in policy reserves	(2,335)	(2,090)	5,711	(3,529)	(2,787)	-21%	19%	
Benefit payment	(5,468)	(8,613)	(14,647)	(6,862)	(6,268)	-9%	15%	
Commission and brokerage expenses	(548)	(860)	(638)	(668)	(657)	-2%	20%	
Other expenses	(95)	(213)	(132)	(127)	(152)	19%	60%	
Total underwriting expenses	(8,446)	(11,775)	(9,706)	(11,186)	(9,864)	-12%	17%	
Underwriting income	(1,769)	(2,032)	(1,941)	(2,033)	(2,093)	3%	18%	
Net investment income	3,094	3,095	2,880	3,006	3,002	0%	-3%	
Gains on investment	138	(236)	(92)	142	213	50%	54%	
Other operating revenue	115	124	106	314	102	-67%	-11%	
Total investment income	3,347	2,983	2,894	3,463	3,318	-4%	-1%	
Operating expenses	(577)	(396)	(507)	(361)	(436)	21%	-24%	
Operating profit	1,002	556	446	1,068	789	-26%	-21%	
Non-operating items	(308)	98	(252)	110	82	-26%	-127%	
Profit before tax	694	653	194	1,179	871	-26%	26%	
Income tax	(63)	(70)	(30)	(189)	(119)	-37%	89%	
Profit after tax	631	583	164	990	751	-24%	19%	
Share of associates	-	-	-	-	-			
Minority interest	0	0	0	-	0			
Net profit	631	583	164	990	751	-24%	19%	
BALANCE SHEET (Btm)	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A	QoQ, %	YoY, %	
Cash	14,129	9,122	8,072	8,607	10,752	25%	-24%	
Investments in securities	306,281	310,538	310,811	313,713	317,369	1%	4%	
Loans	12,917	11,894	11,313	11,009	11,585	5%	-10%	
Other assets	9,635	11,291	9,581	11,359	8,823	-22%	-8%	
Total assets	342,963	342,845	339,778	344,688	348,527	1%	2%	
Policy reserves	287,991	289,922	284,153	288,100	290,774	1%	1%	
Other insurance liabilities	7,455	7,385	7,176	7,020	6,712	-4%	-10%	
Other liabilities	2,737	3,169	2,351	2,701	3,263	21%	19%	
Total liabilities	298,183	300,475	293,680	297,820	300,749	1%	1%	
Issued shares	1,708	1,708	1,708	1,708	1,708	0%	0%	
Share premium	3,361	3,361	3,361	3,361	3,361	0%	0%	
Other equity items	8,185	5,737	9,301	9,080	9,632	6%	18%	
Retained earnings	31,489	31,526	31,729	32,718	33,078	1%	5%	
Equity attributable to SH's	44,742	42,331	46,098	46,867	47,778	2%	7%	
Minority interest	37	38	0	0	0			
Total equity	44,779	42,369	46,098	46,867	47,779	2%	7%	
KEY METRICS	2Q20A	3Q20A	4Q20A	1Q21A	2Q21A			
NEP growth, %	-27.5%	45.9%	-20.3%	17.9%	-15.1%			
Net investment return, %	4.1%	3.6%	3.5%	4.2%	4.0%			
Increase in reserves to NEP, %	35.0%	21.4%	-73.5%	38.6%	35.9%			
Benefit payment to NEP, %	81.9%	88.4%	188.6%	75.0%	80.7%			
Commission to NEP, %	8.2%	8.8%	8.2%	7.3%	8.5%			
Operating profit margin, %	10.0%	4.4%	4.2%	8.5%	7.1%			
Effective tax rate	36.3%	37.3%	-272.2%	25.6%	30.8%			
ROAA	0.7%	0.7%	0.2%	1.2%	0.9%			
Avg asset to equity (x)	8.0x	7.9x	7.7x	7.4x	7.3x			
ROAE	5.9%	5.4%	1.5%	8.5%	6.4%			

Source: Company data, KS Research



BLA: Year-end 31 Dec

Income Statement (Btmn)	2019A	2020A	2021E	2022E	2023E
Net earned premium (NEP)	34,308	33,396	36,066	36,985	38,974
Increase in policy reserves	-3,580	-4,919	-3,272	-3,458	-3,644
Benefit payments	-34,764	-35,461	-36,646	-37,064	-38,699
Commission expenses	-3,004	-2,765	-3,176	-3,257	-3,432
Other underwriting expenses	-610	-558	-528	-528	-528
Underwriting income	-7,652	-10,307	-7,556	-7,321	-7,329
Total investment income	14,247	13,811	14,309	15,081	16,199
Operating expenses	-1,636	-1,873	-1,605	-1,707	-1,818
Operating profit	4,959	1,632	5,148	6,053	7,053
Equity earnings	0	0	0	0	0
Pre-tax profit	4,959	1,632	5,148	6,053	7,053
Income tax	-918	-153	-670	-842	-1,032
NPAT	4,041	1,479	4,478	5,211	6,020
Minority interests	-2	-0	0	0	0
Core Profit	4,039	1,479	4,478	5,211	6,020
Extraordinary items	0	0	0	0	1
FX gain (loss)	347	130	200	200	200
Reported net profit	4,386	1,608	4,678	5,411	6,221
Balance Sheet (Btmn)					
Cash & equivalents	13,442	8,072	7,250	7,448	7,662
Investment in securities	300,137	310,811	317,350	324,494	332,272
Net loans	10,226	11,313	12,051	12,287	12,546
Fixed assets-net	1,426	2,188	1,898	1,921	1,945
Reinsurers assets	1,594	1,342	1,675	1,695	1,716
Premium receivables	1,801	1,786	2,318	2,346	2,375
Accrued investment income	2,680	1,647	2,503	2,533	2,565
Other assets	2,376	2,618	2,799	2,833	2,869
Total assets	333,680	339,778	347,844	355,558	363,950
Policy & premium reserves	275,231	284,153	287,425	290,883	294,527
Other insurance liabilities	11,411	7,176	7,321	7,409	7,502
Other liabilities	2,778	2,351	3,141	3,179	3,219
Total liabilities	289,420	293,680	297,887	301,471	305,248
Paid up capital	1,708	1,708	1,708	1,708	1,708
Share premium	3,361	3,361	3,361	3,361	3,361
Other equity items	7,531	9,301	9,301	9,301	9,301
Retained earnings	31,626	31,729	35,587	39,717	44,332
Minority interests	35	0	0	0	0
Total shareholders' equity	44,261	46,098	49,957	54,087	58,702
Total equity & liabilities	333,681	339,778	347,844	355,558	363,950
Key Assumptions					
Number of share outstanding (mn)	1,708	1,708	1,708	1,708	1,708
Net earned premium growth (%)	-13.26	-2.66	7.99	2.55	5.38
Net investment return (%)	4.64	4.38	4.40	4.53	4.75
Increase in policy reserves/NEP (%)	10.44	14.73	9.07	9.35	9.35
Benefit payments/NEP (%)	101.33	106.18	101.61	100.21	99.29
Combined ratio (%)	111.77	120.91	110.68	109.56	108.64

Source: Company, KS estimates

Key Statistics & Ratios	2019A	2020A	2021E	2022E	2023E
Per share (Bt)					
Reported EPS	2.57	0.94	2.74	3.17	3.64
Core EPS	2.36	0.87	2.62	3.05	3.53
DPS	0.64	0.23	0.68	0.80	0.90
BV	25.91	27.00	29.26	31.67	34.38
Embedded value (EV)	41.50	39.53	42.82	45.91	49.33
Value of new business (VNB)	0.21	0.67	0.85	0.87	0.91
Valuation analysis					
Reported P/E (x)	8.06	22.30	10.13	8.76	7.62
Core P/E (x)	8.75	24.25	10.58	9.09	7.87
P/BV (x)	0.80	0.78	0.95	0.88	0.81
Price / EV (x)	0.50	0.53	0.65	0.60	0.56
Price / VNB (x)	100.44	31.15	32.78	31.96	30.33
Dividend yield (%)	3.10	1.10	2.45	2.88	3.24
Profitability ratio					
Operating margin (%)	10.21	3.46	10.22	11.63	12.78
Net profit margin (%)	9.03	3.41	9.29	10.39	11.28
Effective tax rate (%)	26.91	-51.79	20.00	20.00	20.00
ROAA (%)	1.33	0.48	1.36	1.54	1.73
ROAE (%)	10.60	3.56	9.74	10.40	11.03
Operating ratio					
Net investment return (%)	4.64	4.38	4.40	4.53	4.75
Increase in policy reserves/NEP (%)	10.44	14.73	9.07	9.35	9.35
Benefit payments/NEP (%)	101.33	106.18	101.61	100.21	99.29
Commission/NEP (%)	8.76	8.28	8.81	8.81	8.81
EV, VNB and Solvency ratio					
Embedded value : EV (Btmn)	70,882	67,502	73,124	78,396	84,229
Value of new business : VNB (Btmn)	352	1,151	1,446	1,482	1,562
Equity to policy reserves (%)	16.1	16.2	17.4	18.6	19.9
CAR under Risk Based Capital (%)	314.0	274.0	305.6	323.7	343.2
Debt/equity (x)	6.54	6.37	5.96	5.57	5.20
Premium Breakdown					
First year premium (% share)	17.4	18.8	19.6	19.6	19.6
Premium - bancassurance (% share)	82.6	81.2	80.4	80.4	80.4
Growth					
Investment in securities (%)	2.55	3.56	2.10	2.25	2.40
Policy & premium reserves (%)	0.00	3.24	1.15	1.20	1.25
Net earned premium : NEP (%)	-13.26	-2.66	7.99	2.55	5.38
Operating profit (%)	-13.48	-67.09	215.49	17.58	16.52
Reported net profit (%)	-11.75	-63.33	190.85	15.67	14.98
Reported EPS (%)	-11.75	-63.33	190.89	15.67	14.96
Core profit (%)	-17.71	-63.39	202.83	16.37	15.54
Core EPS (%)	-17.71	-63.38	202.87	16.37	15.54
Embedded value : EV (%)	12.58	-4.77	8.33	7.21	7.44
Value of new business : VNB (%)	-74.79	226.99	25.59	2.55	5.38

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