



# Bangkok Life Assurance PCL

BLA TB Outperform

Target Price Bt 39.00

Price (13/08/2021) Bt 27.00

Upside % 44.44

Valuation DDM

Sector Insurance

Market Cap Btm 46,104

30-day avg turnover Btm 85.02

No. of shares on issue m 1,708

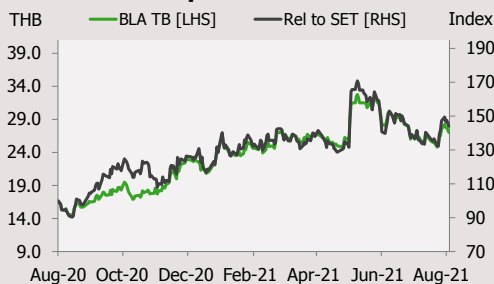
CG Scoring Excellent

Anti-Corruption Indicator Certified

## Investment fundamentals

Year end Dec 31	2020A	2021E	2022E	2023E
<b>Company Financials</b>				
Operating Revenue (Bt m)	47,207	48,318	51,195	53,843
Core profit (Bt m)	1,479	3,729	4,545	5,066
Net profit (Bt m)	1,608	4,021	4,745	5,267
Net EPS (Bt)	0.94	2.35	2.78	3.08
DPS (Bt)	0.23	0.58	0.69	0.77
BV/shr (Bt)	27.00	29.08	31.10	33.51
Net EPS growth (%)	-63.33	150.04	18.00	10.98
ROAA (%)	0.48	1.17	1.35	1.47
ROAE (%)	3.56	8.40	9.23	9.55
D/E (x)	6.37	5.99	5.67	5.33
<b>Valuation</b>				
PE (x)	22.30	11.47	9.72	8.76
PBV (x)	0.78	0.93	0.87	0.81
Price / EV (x)	0.53	0.63	0.60	0.55
Dividend yield (%)	1.10	2.15	2.56	2.85

## BLA TB rel SET performance



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

**Disclaimer:** KS or its affiliates is acting or may act as the underwriter, issuer, and/or market maker of the securities mentioned in this document and/or other financial instruments related to the securities mentioned in this document, including but not limited to, bonds, debentures, derivatives warrants, and structured notes. Investors should study the information contained in the prospectus or related document before investing in the shares and other financial instruments.

## Analyst

Korakot Sawetkruttamat

Korakot.sa@kasikornsecurities.com

16 August 2021

Kasikorn Securities Public Company Limited

## Well prepared for 2H21

- **2Q21 VNB came in stronger than expected at Bt490mn, up 17% QoQ. We therefore revise up 2021 VNB by 18% to Bt1.7bn, a new high since 2014.**
- **However, BLA toned down its FYP growth target to flat or single-digit growth from double-digit growth on the impact of COVID-19 in 2H21E.**
- **We revise down our earnings estimates due to lower FYP. 2H21 should improve HoH, regardless. Maintain Outperform with mid-2022 TP of Bt39.**

## Investment Highlights

- **Stronger-than-expected VNB; we revise up VNB.** Management said that 1H21 value of new business (VNB), before being audited, was around Bt910mn. This implies 2Q21 VNB was about Bt490mn, up 17% QoQ, on stronger FYP from PAR and health insurance products. This was better than our expectations as actual 1H21 VNB accounts for 64% of our previously estimated 2021 VNB of Bt1.44bn. We therefore revise up our 2021-23 VNB forecasts by 18%/17%/16% to Bt1.7bn/Bt1.74bn/Bt1.82bn. The strong VNB may not support earnings immediately and directly but we believe it reflects the company's performance for the year.
- **Management toned down FYP growth guidance due to COVID-19.** Management revised down its 2021 target growth for FYP to flat or single-digit growth from double-digit growth. This is mainly because of the impact of the COVID-19 pandemic, which has pressured FYP in all channels. Management tackled the lockdown impact by launching Gain 1<sup>st</sup> Simply, which is a PAR product, via both BBL's branches and the bank's website. BLA plans to boost FYP in 4Q21 with a first-time launch of unit-linked products, sold via agency channels. We therefore revise down our 2021-23 FYP assumptions by 9%/6%/7% to Bt6.6bn/Bt6.95bn/Bt7.3bn, and lower our 2021-23 earnings forecasts by 14%/12%/15% to Bt4.0bn/Bt4.7bn/Bt5.3bn.
- **2H21 earnings to rise.** Management maintained its combined ratio guidance for 2021 at around 110%, vs our expectation of 112%. As 1H21 combined ratio came in at 115%, we expect the ratio to fall quickly in 2H21 as there will be significantly higher benefit payments in 2H21, which will allow the company more room to relax its reserves. As a result, although FYP will be weaker HoH, we expect earnings to increase HoH in 2H21 due to a lower combined ratio, and stronger NEP from higher RYP.
- **Limited impact on claims related to COVID-19 outbreak.** Many investors have expressed concern about rising claims from the COVID-19 pandemic, due to the recent surge in cases. We believe the impact from COVID-19 infection claims will be limited. Management guided that the impact had yet to become significant in 1H21, and only 10% of health insurance claims were related to COVID-19 treatment. In contrast, due to more health awareness and a general trend of people avoiding hospitals if not necessary, management has seen a significant drop in claims from simple diseases, which normally account for over half of health insurance claims, which will offset the impact of the COVID-19 disease claims.

## Valuation and Recommendation

- We maintain our Outperform rating and target price of Bt39. We roll forward our target price base to mid-2022 from end-2021. We believe BLA's current valuation is undemanding as it is trading at only 0.6x P/EV and 0.9x PBV in 2021. We believe the stronger VNB will be a rerating catalyst for the stock.

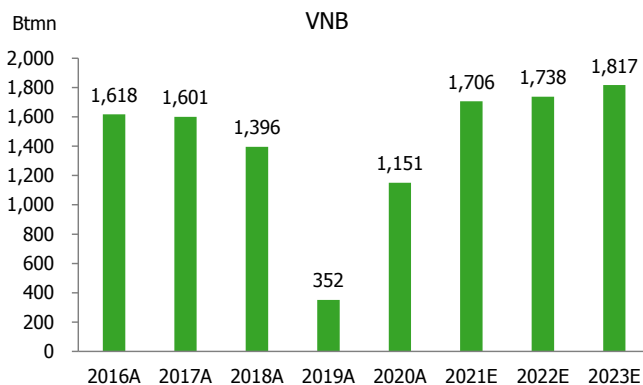


Fig 1 Our earnings and VNB revision in 2021-23

(Btmn)	Revised forecasts			Previous forecasts			Change (% , PPT)		
	FY2021E	FY2022E	FY2023E	FY2021E	FY2022E	FY2023E	FY2021E	FY2022E	FY2023E
Net earned premium (NEP)	34,733	36,703	38,367	36,066	36,985	38,974	-3.7%	-0.8%	-1.6%
Total underwriting expenses	-42,254	-44,073	-45,980	-43,622	-44,307	-46,303	-3.1%	-0.5%	-0.7%
Underwriting income	-7,521	-7,369	-7,613	-7,556	-7,321	-7,329	-0.5%	0.7%	3.9%
Total investment income	13,586	14,491	15,476	14,309	15,081	16,199	-5.1%	-3.9%	-4.5%
Operating expenses	-1,690	-1,876	-2,002	-1,605	-1,707	-1,818	5.3%	9.9%	10.1%
Operating profit	4,375	5,246	5,862	5,148	6,053	7,053	-15.0%	-13.3%	-16.9%
Net profit	4,021	4,745	5,266	4,678	5,411	6,220	-14.0%	-12.3%	-15.3%
First-year premium (FYP)	6,561	6,951	7,266	7,228	7,412	7,811	-9.2%	-6.2%	-7.0%
Renewal-year premium (RYP)	29,613	30,501	31,884	29,574	30,328	31,959	0.1%	0.6%	-0.2%
Total premium	35,705	37,452	39,150	36,802	37,740	39,769	-3.0%	-0.8%	-1.6%
Net investment return (%)	4.20	4.38	4.58	4.40	4.53	4.75	-0.21	-0.14	-0.17
Combined ratio (%)	111.98	110.24	110.08	110.68	109.56	108.64	1.30	0.68	1.43
ROAE (%)	8.40	9.23	9.55	9.74	10.40	11.03	-1.34	-1.17	-1.48
Embedded value (EV)	72,671	77,451	83,739	73,124	78,396	84,229	-0.6%	-1.2%	-0.6%
Value of new business (VNB)	1,706	1,738	1,817	1,446	1,482	1,562	18.0%	17.2%	16.3%

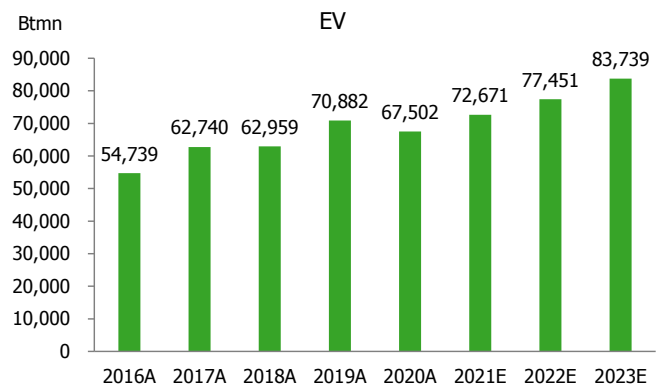
Source: KS Research

Fig 2 VNB forecast



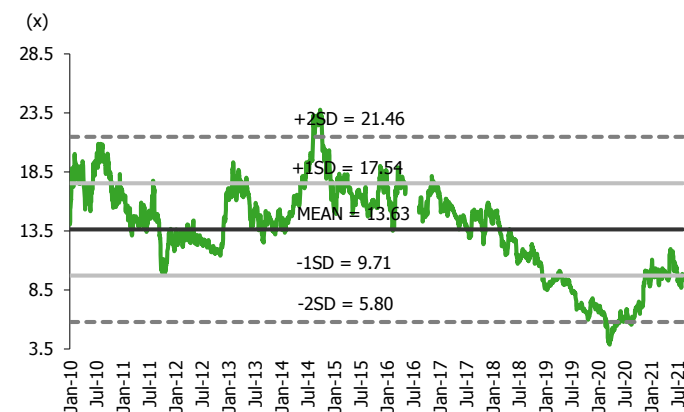
Source: Company data, KS Research

Fig 3 EV forecast



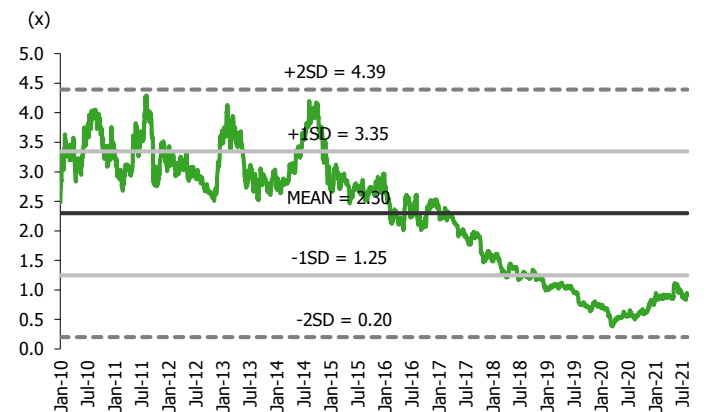
Source: Company data, KS Research

Fig 4 PER band



Source: Bloomberg, KS Research

Fig 5 PBV band



Source: Bloomberg, KS Research



**BLA: Year-end 31 Dec**

Income Statement (Btmn)						Key Statistics & Ratios					
	2019A	2020A	2021E	2022E	2023E		2019A	2020A	2021E	2022E	2023E
<b>Net earned premium (NEP)</b>	34,308	33,396	34,733	36,703	38,367	<b>Per share (Bt)</b>					
Increase in policy reserves	-3,580	-4,919	-2,672	-3,432	-3,587	Reported EPS	2.57	0.94	2.35	2.78	3.08
Benefit payments	-34,764	-35,461	-36,222	-37,030	-38,646	Core EPS	2.36	0.87	2.18	2.66	2.97
Commission expenses	-3,004	-2,765	-2,778	-3,004	-3,140	DPS	0.64	0.23	0.58	0.69	0.77
Other underwriting expenses	-610	-558	-582	-607	-607	BV	25.91	27.00	29.08	31.10	33.51
<b>Underwriting income</b>	-7,652	-10,307	-7,521	-7,369	-7,613	Embedded value (EV)	41.50	39.53	42.56	45.36	49.04
Total investment income	14,247	13,811	13,586	14,491	15,476	Value of new business (VNB)	0.21	0.67	1.00	1.02	1.06
Operating expenses	-1,636	-1,873	-1,690	-1,876	-2,002						
<b>Operating profit</b>	4,959	1,632	4,375	5,246	5,862	<b>Valuation analysis</b>					
Equity earnings	0	0	0	0	0	Reported P/E (x)	8.06	22.30	11.47	9.72	8.76
<b>Pre-tax profit</b>	4,959	1,632	4,375	5,246	5,862	Core P/E (x)	8.75	24.25	12.36	10.14	9.10
Income tax	-918	-153	-646	-702	-796	P/BV (x)	0.80	0.78	0.93	0.87	0.81
<b>NPAT</b>	4,041	1,479	3,729	4,545	5,066	Price / EV (x)	0.50	0.53	0.63	0.60	0.55
Minority interests	-2	-0	-0	0	0	Price / VNB (x)	100.44	31.15	27.03	26.53	25.38
<b>Core Profit</b>	4,039	1,479	3,729	4,545	5,066	Dividend yield (%)	3.10	1.10	2.15	2.56	2.85
Extraordinary items	0	0	0	0	1	<b>Profitability ratio</b>					
FX gain (loss)	347	130	292	200	200	Operating margin (%)	10.21	3.46	9.05	10.25	10.89
<b>Reported net profit</b>	4,386	1,608	4,021	4,745	5,267	Net profit margin (%)	9.03	3.41	8.32	9.27	9.78
<b>Balance Sheet (Btmn)</b>						Effective tax rate (%)	26.91	-429.63	22.95	20.00	20.00
Cash & equivalents	13,442	8,072	8,910	9,273	9,665	ROAA (%)	1.33	0.48	1.17	1.35	1.47
Investment in securities	300,137	310,811	315,768	322,239	329,458	ROAE (%)	10.60	3.56	8.40	9.23	9.55
Net loans	10,226	11,313	11,369	11,422	11,493	<b>Operating ratio</b>					
Fixed assets-net	1,426	2,188	1,896	1,918	1,942	Net investment return (%)	4.64	4.38	4.20	4.38	4.58
Reinsurers assets	1,594	1,342	1,673	1,693	1,714	Increase in policy reserves/NEP (%)	10.44	14.73	7.69	9.35	9.35
Premium receivables	1,801	1,786	2,315	2,343	2,372	Benefit payments/NEP (%)	101.33	106.18	104.29	100.89	100.73
Accrued investment income	2,680	1,647	2,501	2,531	2,562	Commission/NEP (%)	8.76	8.28	8.00	8.18	8.18
Other assets	2,376	2,618	2,797	2,830	2,865	<b>EV, VNB and Solvency ratio</b>					
<b>Total assets</b>	333,680	339,778	347,229	354,250	362,072	Embedded value : EV (Btmn)	70,882	67,502	72,671	77,451	83,739
Policy & premium reserves	275,231	284,153	287,129	290,561	294,148	Value of new business : VNB (Btmn)	352	1,151	1,706	1,738	1,817
Other insurance liabilities	11,411	7,176	7,314	7,401	7,492	Equity to policy reserves (%)	16.1	16.2	17.3	18.3	19.5
Other liabilities	2,778	2,351	3,138	3,176	3,215	CAR under Risk Based Capital (%)	314.0	274.0	318.5	333.9	352.0
<b>Total liabilities</b>	289,420	293,680	297,581	301,138	304,856	Debt/equity (x)	6.54	6.37	5.99	5.67	5.33
Paid up capital	1,708	1,708	1,708	1,708	1,708	<b>Premium Breakdown</b>					
Share premium	3,361	3,361	3,361	3,361	3,361	First year premium (% share)	17.4	18.8	18.4	18.6	18.6
Other equity items	7,531	9,301	9,632	9,632	9,632	Premium - bancassurance (% share)	82.6	81.2	81.6	81.4	81.4
Retained earnings	31,626	31,729	34,948	38,411	42,516	<b>Growth</b>					
Minority interests	35	0	0	0	0	Investment in securities (%)	2.55	3.56	1.59	2.05	2.24
<b>Total shareholders' equity</b>	44,261	46,098	49,648	53,112	57,217	Policy & premium reserves (%)	0.00	3.24	1.05	1.20	1.23
<b>Total equity &amp; liabilities</b>	333,681	339,778	347,229	354,250	362,072	Net earned premium : NEP (%)	-13.26	-2.66	4.00	5.67	4.53
<b>Key Assumptions</b>						Operating profit (%)	-13.48	-67.09	168.09	19.93	11.73
Number of share outstanding (mn)	1,708	1,708	1,708	1,708	1,708	Reported net profit (%)	-11.75	-63.33	150.01	18.00	11.01
Net earned premium growth (%)	-13.26	-2.66	4.00	5.67	4.53	Reported EPS (%)	-11.75	-63.33	150.04	18.00	10.98
Net investment return (%)	4.64	4.38	4.20	4.38	4.58	Core profit (%)	-17.71	-63.39	152.18	21.88	11.47
Increase in policy reserves/NEP (%)	10.44	14.73	7.69	9.35	9.35	Core EPS (%)	-17.71	-63.38	152.21	21.88	11.47
Benefit payments/NEP (%)	101.33	106.18	104.29	100.89	100.73	Embedded value : EV (%)	12.58	-4.77	7.66	6.58	8.12
Combined ratio (%)	111.77	120.91	111.98	110.24	110.08	Value of new business : VNB (%)	-74.79	226.99	48.21	1.87	4.53

Source: Company, KS estimates

## Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security(ies) and subject company(ies); and no part of the compensation of the research analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

## Investment Ratings

Outperform: Expected total return of 10% or more within a 12-month period

Neutral: Expected total return between -10% and 10% within a 12-month period

Underperform: Expected total return of -10% or worse within a 12-month period

## General Disclaimer

This document is prepared by Kasikorn Securities Public Company Limited ("KS"). This document has been prepared for individual clients of KS only and must not, either in whole or in part, be copied, photocopied or duplicated in any form or by any means or distributed to any other person. If you are not the intended recipient you must not use or disclose the information in this research in any way. If you received it in error, please immediately notify KS by return e-mail and delete the document. We do not guarantee the integrity of any e-mails or attached files and are not responsible for any changes made to them by any other person.

This document, including information, data, statements, forecasts, analysis and projections contained herein, including any expression of opinion, is based on public available information or information obtained from sources believed to be reliable, but KS does not make any representation or warranty on, assumes no responsibilities for nor guarantees the accuracy, completeness, correctness or timeliness of such information. KS accepts no obligation to correct or update the information or opinions in it. The statements or expressions of opinion herein were arrived at after due and careful consideration and they were based upon such information or sources then, and in our opinion are fair and reasonable in the circumstances prevailing at the time. The information or expressions of opinion contained herein are subject to change without notice.

Nothing in this document shall be construed as an offer or a solicitation of an offer to buy or sell any securities or products, or to engage in or refrain from engaging in any transaction. In preparing this document, KS did not take into account your specific investment objectives, financial situation or particular needs. This document is for your information only and is not to be taken in substitution for the exercise of your judgment. KS salespeople, traders and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions which are contrary to the opinions expressed in this document. Before making an investment decision on the basis of this document, you should obtain independent financial, legal or other advice and consider the appropriateness of investment in light of your particular investment needs, objectives and financial circumstances. There are risks involved in the investment in securities. KS accepts no liability whatsoever for any direct, indirect, consequential or other loss (including claim for loss of profit) arising from any use of or reliance upon this document and/or further communication given in relation to this document.

Any valuations, opinions, estimates, forecasts, projections, ratings or risk assessments herein constitute a judgment as of the date of this document, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments. Any valuations, opinions, estimates, forecasts, projections, ratings or risk assessments described in this document were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties or contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, projections, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, projections, ratings or risk assessments described herein is not to be relied upon as a representation and/or warranty by KS (i) that such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments or their underlying assumptions will be achieved, or (ii) that there is an assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, projections, ratings or risk assessments stated therein.

KS along with its affiliates and/or persons associated with it may from time to time have interests in the securities mentioned in this document. KS and its associates, their directors and/or employees may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking, advisory and other securities services for companies mentioned in this document.

## Corporate Governance Report Disclaimer

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of companies listed on the Stock Exchange of Thailand and the Market of Alternative Investment disclosed to the public and able to be accessed by a general public investor at <http://www.thai-iod.com/en/publications-detail.asp?id=170>. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the data appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. KS does not confirm nor certify the accuracy of such survey result.

## Structured Notes and Derivative Warrants Disclaimer

KS may be the issuer of structured notes on these securities.

KS acts as market maker and issuer of Derivative Warrants ("DWs") on the underlying stocks listed below. Investors should carefully read the details of the DWs in the prospectus before making any investment decisions.

DWs Underlying Stocks: ADVANC, AMATA, AOT, AWC, BANPU, BBL, BDMS, BEM, BGRIM, BJC, CBG, CHG, CK, CKP, COM7, CPALL, CPF, CPN, CRC, DOHOME, DTAC, EA, GPSC, GULF, GUNKUL, HMPRO, INTUCH, IRPC, IVL, JMART, JMT, KCE, KKP, KTC, MINT, MTC, OR, OSP, PLANB, PRM, PTG, PTT, PTTEP, PTTGC, RBF, SAWAD, SCB, SCC, SCGP, SET50, SPRC, STA, STEC, STGT, TESCO, TISCO, TOP, TQM, TU, VGI, and WHA.