Bangkok Life Assurance

Solid turnaround

BLA's earnings would rebound significantly in 2Q15 thanks to receding impact from the interest rate downtrend. Moreover, BLA may be included in SET100 list again. These would help the share price outperform the market in the next three months.

▪ Strong rebound in 2Q15 despite lower premium income

We estimate 2Q15 net profit at B1.06bn or a significant growth of 38.0%qoq and 525.8%yoy due to decreasing premium reserves, from as much as B1.70bn in 1Q15 as a result of the interest rate downtrend, because a 10-year bond yield has already risen 38bp from end-1Q15 to 3.06%. In addition, there would not be a reversal of premium reserves of more than B5bn in this quarter; we believe the company would keep the reserves and wait for the interest rate to become more stable before making a reversal. Gross premium reserves would contract sharply, mainly from a decrease in renewal year premiums, while premium reserve ratio would drop to a normal level of 69%; high reserve is still necessary due to renewal of short-term premiums sold in prior years. ROI is projected to decrease to 6.17% after the dividend payment period has passed.

▪ Solid turnaround in 2015

We maintain our forecast for 2015-2016. FY2015 earnings are anticipated to rebound stably from 2014 because 1) an impact from the interest rate downtrend has started to recede and 2) the company has adjusted its strategy to focus more on long-term products. BLA projects gross premium income in 2015 to shrink 7%yoy, mostly from first-year premium income that would decline 11%yoy since the company has sold a great number of short-term saving products (one-year) in 1Q14; the new strategy to focus on long-term products means higher margin and lower reserves and has also helped increase capital adequacy ratio (CAR) to 400%.

▪ Top pick of life insurance plays

We recommend buying BLA and select it as a top pick of the life insurance sector. We believe the share price would outperform the market in the next three months for its earnings have already bottomed out and the share might be included in SET100 list again. 2015 fair value, using appraisal value method (embedded value of B25.03 and the rest from multiplier of 2014 VNB of B0.67) is B66.35.

Key Data

FY: Dec 31	FY13A	FY14A	FY15F	FY16F	FY17F
Net Profit (Bm)	4,381	2,662	4,271	5,026	5,776
EPS (B)	3.62	1.57	2.52	2.96	3.40
Norm. Profit (Bm)	4,381	2,662	4,271	5,026	5,776
BVS (B)	18.37	15.06	16.67	18.55	20.69
PER (x)	13.8	31.7	19.8	16.8	14.6
PBV (x)	2.7	3.3	3.0	2.7	2.4
DPS (B)	0.91	0.91	1.01	1.18	1.36
Dividend Yield (%)	1.8%	1.8%	2.0%	2.4%	2.7%
ROE (%)	21.0%	11.1%	15.9%	16.8%	17.3%

Source : ASPS Research

BLA

Rec. : BUY

Current Price (B): 49.50

Target Price (B): 66.35

Upside : 34.04%

Dividend Yield : 2.04%

Total Return : 35.88%

Market Cap. (Bm) : 84,044

CG Score: ▲▲▲▲

Technical Chart

ASPS vs IAA Consensus

EPS (B)	ASPS	Cons	%diff
2015F	2.52	2.56	-2%
2016F	2.96	3.24	-9%

Source: ASPS vs IAA Consensus

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