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Bangkok Life Assurance

Back to steady growth path

THAILAND | SET | INSUR | TRADE FLASH

BLOOMBERG BLA TB | REUTERS BLA.BK

05 March 2015

4QFY14 net profit seen recovery but FY14 net profit falls 39.2% to Bt2.7bn

A change in assumption in calculation reserve under gross premium valuation (GPV) pushed reserve higher, which dragged BLA earnings lower in the past two quarters, but it also allowed the company to reverse a portion of reserve, which drove 4QFY14 net profit sharply higher by 151.7% y-y and 358.6% q-q to Bt2.3bn. Such significant growth drove the full-year net profit to Bt2.7bn, which was well above our forecast of Bt1.2bn. However, FY14 net profit turned out to decline 39.2% from the prior year when BLA set a normal reserve, though net earned premium grew as much as 31.9%, marking the biggest growth pace in multi-year.

BLA sets lower premium growth target in 2015

Total premiums earned rose 32.6% y-y in 2014 with first-year premium jumping 81% and renewal-year premium growing 14.7%. Much of the growth was contributed to a sharp increase in short-term endowment products, which provided low margin and required high reserve. As such, BLA has set a minus growth in 2015, targeting an 11% contraction in first-year premium and a 7% decrease in total premium. However, BLA aims to focus on protection products in order to strengthen profitability.

FY15 outlook downgraded to reflect lower premium and investment trend

We expect premium income to fall by 10% from the previous growth estimate of 7% while the rate of return on investment would decrease to 4.9% from previously estimated 5% in view of low interest rate. Accordingly, we adjust our FY15 net profit down by 3.9% from earlier Bt4.7bn to Bt4.5bn, which represents a 70% y-y on a normalization of reserve when compared to FY14 profit. We expect BLA to provide FY15 dividend of Bt0.66, translating to a yield of 1.4%. BLA announced 2HFY14 dividend of Bt0.46, yielding 0.9%. The stock will trade ex-dividend on 11 May. The payment period has yet disclosed.

'BUY' maintained with Bt60 price target

Our price target is higher to Bt60 as the notable growth in FY14 net profit pushed its book value sharply higher above our previously estimate, despite the downward revision in FY15 forecast, while we keep P/BV level for BLA at 3.6x. We reiterate a 'BUY' rating on BLA in favors of a significant upside and a normalization of reserve level, which should bode well for the bottom-line growth, in spite of contracted premium income outlook.

Buy (Maintain)

Closing Price(Bt)	48.75
Target Price(Bt)	60.00 (+23.08%)

COMPANY DATA

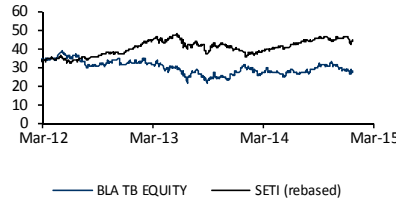
O/S Shares (mn) :	1,698
Market Cap. (Btmn) :	82,770
Market Cap. (USDmn) :	2,559
52-WK Hi/Lo (Bt) :	68.21/44
3M Average Daily T/O (mn) :	2.09
Par Value (Bt) :	1.00

MAJOR SHAREHOLDERS (%)	18 November 2014
1. MITSUBISHI UFJ GLOBAL CUSTODY S.A.	24.4
2. Wattanasophonpanich Co.LTD.	13.1
3. Bangkok Bank plc.	7.7

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
ABS	-4%	-12%	4%
REL TO SET INDEX	-2%	-10%	-11%

PRICE VS SET INDEX



Source: Bloomberg, PSR

KEY FINANCIALS

FYE Dec	FY13	FY14	FY15E	FY16E
Revenue(Btmn)	7,139	5,126	7,852	9,861
Net Profit(Btmn)	4,381	2,662	4,524	5,930
EPS (Bt)	3.62	1.57	2.65	3.47
P/E (X)	13.48	31.10	18.41	14.04
BVPS (Bt)	18.37	15.06	16.83	19.79
P/B (X)	2.65	3.24	2.90	2.46
DPS (Bt)	0.91	0.51	0.66	0.87
Dividend Yield (%)	1.87	1.05	1.36	1.78
ROE (%)	21.00	11.13	16.65	18.96
Debt/Equity (X)	7.74	8.43	8.95	7.63

Source: Company, PSR Est.

**Multiples and yields are based on latest closing price

VALUATION METHOD

P/B'15 (3.6x)

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Corporate Governance -2014

BAFS	BCP	BTS	CPN	EGCO	GRAMMY	HANA	INTUCH	IRPC	TOP
KBANK	KKP	KTB	MINT	PSL	PTT	PTTEP	PTTGC	SAMART	IVL
SAT	SC	SCB	SE-ED	SIM	SPALI	TISCO	TMB	THCOM	SAMTEL

AAV	ACAP	ADVANC	ANAN	AOT	ASIMAR	ASK	ASP	BANPU	BAY
BBL	BECL	BIGC	BKI	BLA	BMCL	BROOK	CENTEL	CFRESH	CIMBT
CK	CNT	CPF	CSL	DELTA	DRT	DTAC	DTC	EASTW	EE
ERW	GBX	GC	GFPT	GUNKUL	HEMRAJ	HMPRO	ICC	KCE	KSL
LANNA	LH	LHBANK	LOXLEY	LPN	MACO	MC	MCOT	NBC	NCH
NINE	NKI	NMG	NSI	OCC	OFM	PAP	PE	PG	PHOL
PJW	PM	PPS	PR	PRANDA	PS	PT	QH	RATCH	ROBINS
RS	S & J	SAMCO	SCC	SINGER	SIS	SITHAI	SNC	SNP	SPI
SSF	SSI	SSSC	STA	SVI	TCAP	TF	THAI	THANI	TSTE
TIP	TIPCO	TK	TKT	TNITY	TNL	TOG	TRC	TRUE	
TSTH	TTA	TTW	TVO	UAC	VGI	VNT	WACOAL		

2S	AF	AH	AHC	AIT	AJ	AKP	AKR	AMANAH	AMARIN
AMATA	AP	APCO	APCS	AQUA	ARIP	AS	ASIA	AYUD	BEAUTY
BEC	BFIT	BH	BJC	BJCHI	BOL	BTNC	BWG	CCET	CGD
CGS	CHOW	CI	CKP	CM	CMR	CSC	CSP	CSS	DCC
DEMCO	DNA	EA	ESSO	FE	FORTH	FPI	GENCO	GL	GLOBAL
GLOW	GOLD	HOTPOT	HTC	HTECH	HYDRO	IFS	IHL	INET	IRC
IRCP	ITD	KBS	KGI	KKC	KTC	L&E	LRH	LST	MAJOR
MAKRO	MATCH	MBK	MBKET	MEGA	MFC	MFEC	MJD	MODERN	MONO
MOONG	MPG	MTI	NC	NTV	NUSA	NWR	NYT	OGC	OISHI
PACE	PATO	PB	PDI	PICO	PPM	PPP	PREB	PRG	PRIN
PTG	QLT	QTC	RCL	SABINA	SALEE	SCBLIF	SCCC	SCG	SEAFCO
SEAOIL	SFP	SIAM	SIRI	SKR	SMG	SMK	SMPC	SMT	SOLAR
SPC	SPCG	SPPT	SST	STANLY	STEC	STPI	SUC	SWC	SYMC
SYNEX	SYNTEC	TASCO	TBSP	TEAM	TFD	TFI	THANA	THIP	THREL
TIC	TICON	TIW	TKS	TLUXE	TMI	TMT	TNDT	TPC	TPCORP
TRT	TRU	TSC	TTCL	TUF	TVD	TWFP	UMI	UP	UPF
UPOIC	UT	UV	UWC	VIH	WAVE	WHA	WIN	WINNER	YUASA
ZMICO									

Results Presentation

Score Range	Number of Logo
< 50%	No logo given
50-59%	
60-60%	
70-79%	
80-89%	
90-100%	

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Industry Group

Name	Sector Name	Sector Index
Agro & Food Industry[AGRO]	Agribusiness	AGRI
	Food & Beverage	FOOD
Consumer Products[CONSUMP]	Fashion	FASHION
	Home & Office Products	HOME
	Personal Products & Pharmaceuticals	PERSON
Financials [FINCIAL]	Banking	BANK
	Finance & Securities	FIN
	Insurance	INSUR
Industrials [INDUS]	Automotive	AUTO
	Industrial Materials & Machinery	IMM
	Packaging	PKG
	Paper & Printing Materials	PAPER
	Petrochemicals & Chemicals	PETRO
	Steel	STEEL
Property & Construction[PROPCON]	Construction Materials	CONMAT
	Construction Services	CONS
	Property Development	PROP
	Property Fund & REITs	PF&REIT
Resources [RESOURC]	Energy & Utilities	ENERG
	Mining	MINE
Services [SERVICE]	Commerce	COMM
	Media & Publishing	MEDIA
	Health Care Services	HELTH
	Tourism & Leisure	TOURISM
	Professional Services	PROF
	Transportation & Logistics	TRANS
Technology [TECH]	Electronic Components	ETRON
	Information & Communication Technology	ICT

PSR Rating System

Capital Gain	Recommendation
> +10%	Buy
0% to + 10%	Neutral
< 0%	Sell

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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