PhillipCapital

Bangkok Life Assurance

Focus shifted to margin increase, instead of premiums growth

THAILAND | SET | INSUR | TRADE FLASH

BLOOMBERG BLA TB I REUTERS BLA.BK

19 May 2015

1QFY15 net profit of Bt765mn, down 30.2% y-y and 66.4% q-q

BLA registered total premiums earned of Bt16bn in 1QFY15. Comparing with the prior quarter, the on-demand season played important role driving premiums sharply higher by 112.6%. In contrast, a significant decrease in single-premium or short-term payment mode when compared to the same period last year dragged net premiums down 40.7%. Despite this, a percentage of short-term endowment insurance remained elevated at 87.4% of total insurance products (vs. 92.6% in 1QFY14), which required high reserve ratio. This, together with a considerable decrease in interest rates, forced BLA to set aside the additional reserves. Consequently, BLA faced operating loss of Bt2.1bn but gains on investment drove the bottom line into the black of Bt765mn, which fell by 30.2% y-y and 66.4% q-q.

Focus shifted to margin increase, instead of premiums growth

As BLA has carried on high short-term endowment insurances, which have required high reserve ratio and offered low margin, the company has planned to focus on other insurance plans in order to drive profitability over the remaining course of the year. However, BLA has been already aware of low demand for other insurance plans, unlike endowment products, in the midst of the off-demand season, and thus the company expects a lower premiums income over the rest of the year. For FY15, the company said total premiums look set to decline y-y, which is in line with our forecast that we expect to fall by 10% this year.

2QFY15 earnings under low interest rate impact; FY15 outlook downgraded

A cut in the policy rate will have forced BLA to continue setting aside high reserves in 2QFY15 in order to make up for benefit payments and the company set the higher-than-estimated reserves in 1QFY15. To reflect this, we cut our FY15 net profit forecast by 16.3% from earlier Bt4.5bn to Bt3.8bn and raise our provision assumption from 68% to 70%. We also revise down our dividend estimate to Bt0.55 (earlier Bt0.66), which translates to a 1.2%.

'BUY' rating maintained with FY15 target price of Bt58/share

With a downward revision of FY15 forecast, our price target is now lower to Bt58 from earlier Bt60 but the price is still pegged at P/BV of 3.6x. Even so, we maintain our 'BUY' rating on BLA at the current market value.

Buy (Maintain)

Closing Price(Bt)	45.50
Target Price(Bt)	58.00 (+27.47%)

COMPANY DATA

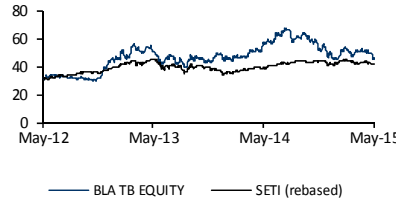
O/S Shares (mn) :	1,698
Market Cap. (Btmn) :	77,444
Market Cap. (USDmn) :	2,324
52-WK Hi/Lo (Bt) :	68.21/44
3M Average Daily T/O (mn) :	1.08
Par Value (Bt) :	1.00

MAJOR SHAREHOLDERS (%)	31 March 2015
1. STATE STREET BANK AND TRUST COMPANY	24.4
2. Wattanasophonpanich Co.LTD.	13.1
3. Bangkok Bank plc.	7.7

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
ABS	-10%	-12%	-20%
REL TO SET INDEX	-7%	-7%	-25%

PRICE VS SET INDEX



Source: Bloomberg, PSR

KEY FINANCIALS

FYE Dec	FY13	FY14	FY15E	FY16E
Revenue(Btmn)	7,139	5,126	6,931	9,368
Net Profit(Btmn)	4,381	2,662	3,787	5,535
EPS (Bt)	3.62	1.57	2.22	3.24
P/E (X)	12.6	29.0	20.5	14.0
BVPS (Bt)	18.37	15.06	16.40	19.24
P/B (X)	2.5	3.0	2.8	2.4
DPS (Bt)	0.91	0.91	0.55	0.81
Dividend Yield (%)	2.0	2.0	1.2	1.8
ROE (%)	21.00	11.13	14.13	18.19
Debt/Equity (X)	7.74	8.43	9.18	7.85

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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