

24 Dec 2020

PVI Reinsurance (PRE)

Pre-listing brief

Overview

PVI Reinsurance (PVI Re) was established in 2011. The company is one of two Vietnam reinsurance company (the other is VNR – Vietnam National Reinsurance). PVI Re specializes their business in receiving and transferring reinsurance of non-life insurance, life insurance and other financial investment.

PVI Re is a subsidiary of PVI Holding (HNX: PVI), in which, PVI Holdings accounts for 73.1% of PVI Re's total shares. In 2019, AM Best upgraded Financial Strength Rating for PVI Re to B++ (Good), this reflects its strong operating performance and appropriate enterprise risk management.

Financial highlights

In the period 2015-2019, PVI Re witnessed positive growth in their financial figures. In respect of written reinsurance premium, PVI Re recorded average growth rate exceeding 10% per year. The company forecasts revenue in 2020 will be VND1,500bn, same as 2019 but expected 2020 EBIT will increase to VND180bn (+5.9% yoy). ROE ratio maintains at 16.5% from 2019 and company is focusing on keep the ROE at least 12% in upcoming period.

Along with great business result, total asset of PVI Re also have impressive increase. In 2016, total asset of PVI Re was VND3,400 bn. This number increase by one-third to VND4,490 bn in 2019.

Notably, PVI Re's combination ratios for last 5 years remain in the range 88%-94%, which is evaluated as the best number in Vietnam insurance market. Solvency margin records 3 times higher than minimum requirement from MOF.

	2016A	2017A	2018A	2019A	1H20
Revenue (VND bn)	1,493	1,313	1,229	1,382	826
chg. (% YoY)	2.3	(5.4)	(12.1)	(6.4)	13.9
PPE (VND bn)	138	151	155	170	92
Net profit (VND bn)	113	117	126	141	74
EPS (adj. VND)	1,690	1,751	1,732	1,932	1,673*
BVPS (VND)	11,579	11,475	11,567	11,817	11,946
ROE (%)	14.9	15.2	15.7	16.35	14.02*
ROA (%)	3.2	3.4	3.4	3.1	2.7*

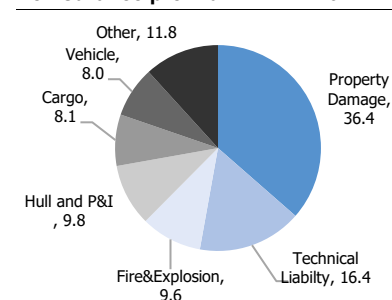
Note: Net profit, EPS, ROE and ROA are based on figures attributed to controlling interest, trailing 12M20

Stock Data

Company name	PVI Reinsurance Joint-stock Corporation
Ticker	PRE
Scheduled listing day	24/12/2020
Exchange listed	HNX
Reference price (VND)	20,000
Sector	Insurance
Sub-sector	Reinsurance
Paid-in capital (VND bn)	11,750
Listed shares	72,800,000
Outstanding shares	72,800,000
Major shareholders (%)	
PVI Holdings	73.1

Source: Fiiipro

Reinsurance premium mix 1H20



Source: Company data

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Potential field for Vietnam reinsurance market

Currently, there are only 2 Vietnam-based reinsurers in reinsurance market. To be more specific, VNR is leading market share with 10%, followed by PVI Re with 7%. Thus, the remain of reinsurance market is acquired by other foreign reinsurers, approximately 80%. With the advantage from local knowledge and close relationship with enterprise in Vietnam, backed by customized reinsurance program, PVI Re is aiming for occupying higher market share in the future. However, the company put the objective of growing market share along with effective business performance, PVI Re will have to invest more in risk assessment procedure in order to achieve their dual goal.

According to representatives from PVI Re, company's customers include 20 largest insurance companies in Vietnam industry and they also have partnership with insurance brokers, as well as international reinsurance companies in the globe. It should be noted that PVI Re receives increasing support from HDI Global SE (International famous insurance companies holds 42.91% shares of PVI Holdings). HDI Global SE considers PVI Re in their international expansion plan.

Business strategy for upcoming period

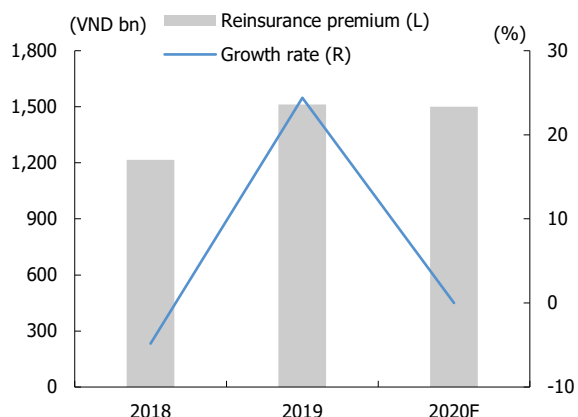
Besides IPO plan in Dec 2020, PVI Re is in preparation for a capital increase in 2021. The current company capital is VND 728bn and is expected to rise to VND 1,044bn after the capital increase. Insurance law regulates the maximum liabilities with respect to each risk or per individual loss does not exceed 10% of equity, so if PVI Re successfully expands its capital, the ability towards insurance case with high insured value will be more competitive.

In fact, foreign reinsurance companies are superior in financial resource, professional procedure in both risk assessment and claim management. Additionally, long experience in this specialized industry is also a factor that make foreign reinsurers dominate Vietnam's reinsurance market with ~80% market share. To compete with such advantage from foreign competitors, PVI Re is confident with their local knowledge during 10 operating years. By closely communicating with local enterprises, they can have deeper insights and make appropriate adjustment to fit with each customer's need. They not only provide customer with a reinsurance program, but they also bring added value through consulting activities and flexible program.

Reference price is VND20,000/share in first day

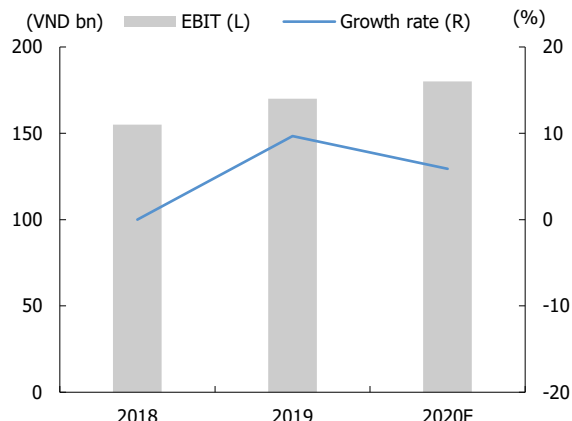
PVI Re will be listed on HNX exchange as ticker PRE from 24 Dec 2020 with reference price for opening date at VND20,000/share. Compared with VNR, PVI Re's PB ratio is doubled at 1.7x. This valuation comes from its positive performance in recent years and their business strategy for following period 2021-2024. In 2019, PVI Re recorded revenue growth rate at 23% and NP growth rate at 12% while these number of VNR was 17% and 5%, respectively.

Figure 1. Reinsurance premium



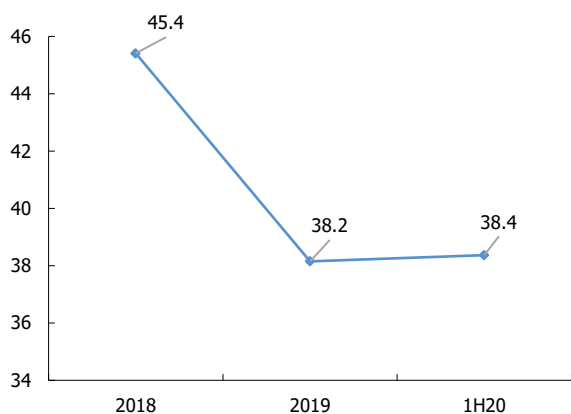
Note: 2020F, PVI Re forecasted based on business result as of 9M20
Source: Company data, KIS

Figure 2. EBIT



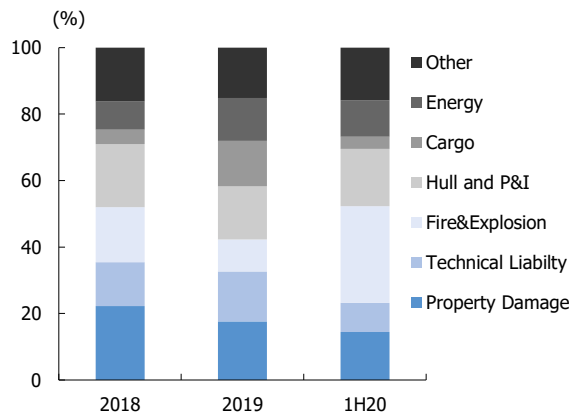
Note: 2020F, PVI Re forecasted based on business result as of 9M20
Source: Company data, KIS

Figure 3. Reimbursement ratio



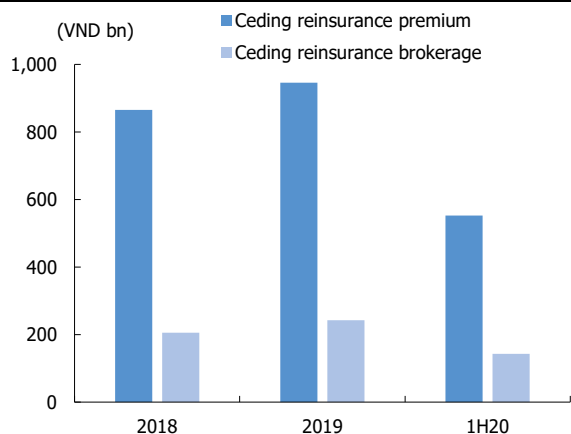
Source: Company data, KIS

Figure 4. Reimbursement mix



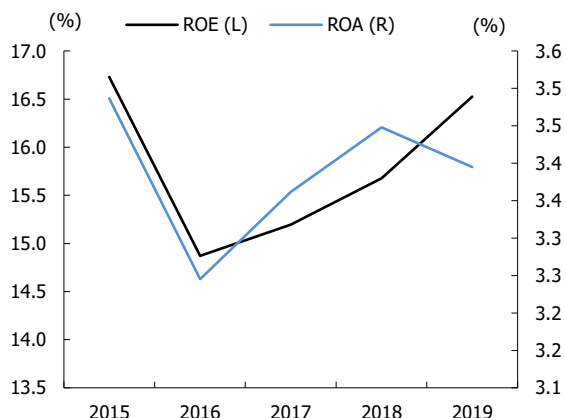
Source: Company data, KIS

Figure 5. Ceding reinsurance premium



Source: Company data, KIS

Figure 6. ROA & ROE



Source: Company data, KIS

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