

BIDV [BID VN]: AGM Takeaways

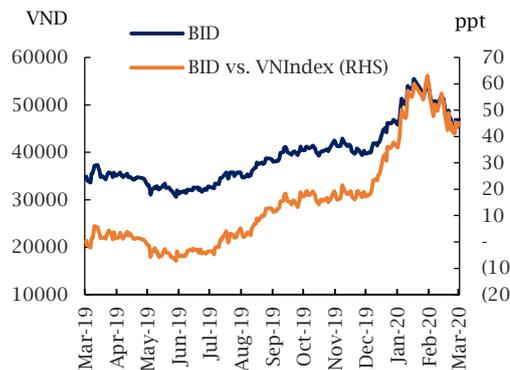
9 March 2020

SELL

TP upside/(downside) -20%

Close 06 Mar 2020

Price **VND 46,850**
 12M Target **VND 37,300**



Market cap	US\$8.1 bn
6M avg. daily turnover	US\$1.8 mn
Outstanding shares	4,022 mn
Free float	19%
FINI ownership	18%
Major shareholders	96%
Asset/equity (x)	21.0
2020E P/E (x)	22.6
2020E P/B (x)	2.3
FOL remaining room	12%
2020E Dividend yield	2.0%

Source: Bloomberg

Research Analyst:
Tanh Tran
 +84 28 3622 6868 ext 3874
tanh.tran@yuanta.com.vn
Bloomberg code:
YUTA

Event: Annual General Meeting

[BID](#) held its annual general meeting (AGM) on Mar 07, 2020 to discuss their business results for 2019 and set targets for 2020. The bank set 2020E PBT growth of 15% YoY despite a low credit growth quota of 9%. Capital raising was also a key focus of the AGM.

Key Takeaways

Management targets to grow PBT by 16% to reach VND12.5 tn in 2020E. BID originally targetted credit growth of 13% YoY, but its initial credit growth quota from the SBV is only 9%. **2019 PBT was VND10.7 tn (+14% YoY),** beating the bank’s full-year target by 4%.

BID has cleared all of its VAMC exposure. We think the last of VAMC provisions will be reflected in 1Q20. 2019 NPL ratio was 1.75%, and the bank targets an NPL ratio of below 1.70% in 2020E.

Further capital strengthening. BID plans to pay a 7% stock dividend in 3Q20 or 4Q20, equivalent to 281.5 million shares. In addition, the bank plans to issue an additional of 341.5 million new shares in 2020–2021 via public or private placement, equivalent to 8.5% of outstanding shares at end-2019. As a reminder, BID successfully issued 603.3 million shares (or 15% of the BID’s post-deal capital) via private placement to KEB Hana Bank in 2019.

Our view – Reiterate SELL

We believe that BID’s earnings should accelerate from 2Q20 given the lack of VAMC exposure, which should result in reduced provisioning and could be a potential source of loan loss recoveries.

BID’s strengthened balance sheet should allow it to grow in 2020E. The KEB Hana Bank deal has enhanced BID’s previously weak capital adequacy. The reduced leverage should also lower its funding cost and thus improve NIM. We forecast credit growth of 14% for BID this year, which would require an increase from the SBV.

However, further capital raising could prove to be difficult given BID’s high valuation. BID is trading at an unattractive 2.3x 2020E P/B against our 2020E adjusted ROAE forecast of only 11%. This is expensive relative to the sector median P/B of 1.2x and ROAE of 20%.

Reiterate SELL. Our Feb 14 downgrade turns out to have been well timed, but the call was primarily driven by BID’s high valuation relative to its low ROE rather than the cononavirus. Please see our note titled [Enough is enough](#) for details. The outbreak obviously presents downside risk for BID and all the banks in terms of NIM (as lending rates are eased), loan growth, and credit quality.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Appendix A: Important Disclosures

Analyst Certification

Each research analyst primarily responsible for the content of this research report, in whole or in part, certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report.

Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

HOLD-Outperform: In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

HOLD-Underperform: In our view, the stock's fundamentals are relatively less attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

Global Disclaimer

© 2019 Yuanta. All rights reserved. The information in this report has been compiled from sources we believe to be reliable, but we do not hold ourselves responsible for its completeness or accuracy. It is not an offer to sell or solicitation of an offer to buy any securities. All opinions and estimates included in this report constitute our judgment as of this date and are subject to change without notice.

This report provides general information only. Neither the information nor any opinion expressed herein constitutes an offer or invitation to make an offer to buy or sell securities or other investments. This material is prepared for general circulation to clients and is not intended to provide tailored investment advice and does not take into account the individual financial situation and objectives of any specific person who may receive this report. Investors should seek financial advice regarding the appropriateness of investing in any securities, investments or investment strategies discussed or recommended in this report. The information contained in this report has been compiled from sources believed to be reliable but no representation or warranty, express or implied, is made as to its accuracy, completeness or correctness. This report is not (and should not be construed as) a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on such business in that jurisdiction.

Yuanta research is distributed in the United States only to Major U.S. Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended and SEC staff interpretations thereof). All transactions by a US person in the securities mentioned in this report must be effected through a registered broker-dealer under Section 15 of the Securities Exchange Act of 1934, as amended. Yuanta research is distributed in Taiwan by Yuanta Securities Investment Consulting. Yuanta research is distributed in Hong Kong by Yuanta Securities (Hong Kong) Co. Limited, which is licensed in Hong Kong by the Securities and Futures Commission for regulated activities, including Type 4 regulated activity (advising on securities). In Hong Kong, this research report may not be redistributed, retransmitted or disclosed, in whole or in part or and any form or manner, without the express written consent of Yuanta Securities (Hong Kong) Co. Limited.

Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities Investment Consulting
4F, 225,
Section 3 Nanking East Road, Taipei 104
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
Yuanta Securities (Hong Kong) Co. Ltd
23/F, Tower 1, Admiralty Centre
18 Harcourt Road,
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office
Yuanta Securities Building
Euljiro 76 Jung-gu
Seoul, Korea 100-845
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research
PT YUANTA SECURITIES INDONESIA
(A member of the Yuanta Group)
Equity Tower, 10th Floor Unit EFGH
SCBD Lot 9
Jl. Jend. Sudirman Kav. 52-53
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Thailand)
127 Gaysorn Tower, 16th floor
Ratchadamri Road, Pathumwan
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department
Yuanta Securities (Vietnam)
4th Floor, Saigon Centre
Tower 1, 65 Le Loi Boulevard,
Ben Nghe Ward, District 1,
HCMC, Vietnam
