



Rating
Buy

Asia
Hong Kong

Banking / Finance
Life Insurance

Company
CPIC Alert

Reuters 2601.HK	Bloomberg 2601 HK	Exchange HSI	Ticker 2601
ADR Ticker CHPXY	ISIN US16951T1016		

Date
27 May 2015

Company Update

Price at 26 May 2015 (HKD)	44.10
Price target-12mth (HKD)	46.80
52-week range (HKD)	44.10 - 24.60
HANG SENG INDEX	28,250

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Corporate Day highlights

Customer centric strategy, leveraging on technology innovation

We attended CPIC Corporate Day yesterday in Shanghai. The discussions were centered around the company's internet strategy and how it has been able to leverage on technology to improve customer experience and to streamline its operations and improve efficiencies. We were impressed by CPIC's tablet-based tools, which we believe should improve operating efficiency and to optimize customer experience. Key takeaways as follows:

On its online efforts, the company started to develop an internet platform in 2012 and expanded into mobile app in 2014. Key characteristics of CPIC's online business include: 1. Multiple touch-points (including both online platform and mobile app), 2. Comprehensive services, 3. Data mining, and 4. Customer experience. The number of visitors to the company's online platforms reached 89.2mn (up from 6.4mn in 2012), of which 26.4mn visited its internet platform, and 62.8mn visited its mobile app.

On online insurance sales, the company generated ~Rmb3,340mn of premiums in 2014 through the company's own online platforms (excluding third-party online channels), a 390% increase compared to Rmb680mn in 2012. Auto insurance accounted for 97.3% of the online sales.

On customer service, CPIC demonstrated its tablet-based system for individual agent (Shenxing Taibao), which has been instrumental in improving effectiveness and customer experience. The company highlighted that it is the first and only company as of now to have the technology to complete insurance sales online on 32 types of insurance products. The company has equipped 243k of its agents (including all productive agents) with the Shenxing Taibao tablet.

On auto pricing reform, management expects the reform to be rolled out nationwide in 2016. Under the new regime, auto insurance policies will be simplified and be based on car types (vs. car price previously), which could better reflect repair costs. The number of additional coverage will be lowered to 3 major types (vs. 10-20 previously). Management believes cost efficiencies and service differentiation will be key under the new regime and technology innovation will continue to play an important part to improve cost structure and customer experience.

Stock data	
Market Cap (HKDm)	102,017
Market Cap (USDm)	13,160
Shares outstanding (m)	9,062.0
Major Shareholders	Fortune Inv (14.9%)
Free float (%)	74
Avg daily value traded (USDm)	65.3

Source: Deutsche Bank

Key data			
FYE 12/31	2014A	2015E	2016E
Group EV(CNYm)	171,294	194,249	215,570
VNB (CNYm)	8,725	10,059	11,598
Net profit (CNYm)	11,049	14,419	16,142
P/EV (x)	1.2	1.6	1.5
Implied NB multiple (x)	14.7	10.2	6.5

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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