



Rating
Buy

Asia
China

Banking / Finance
Life Insurance

Company
China Life Alert

Reuters 2628.HK	Bloomberg 2628 HK	Exchange HSI	Ticker 2628
ADR Ticker LFC	ISIN US16939P1066		

Date
25 March 2015

Company Update

Price at 24 Mar 2015 (HKD)	33.15
Price target-12mth (HKD)	37.10
52-week range (HKD)	33.65 - 19.78
HANG SENG INDEX	24,400

FY14 analyst meeting takeaway

Expect value-focus strategy to drive stronger growth in 2015

We attended China Life analyst meeting this morning, concluding with more confidence in company's 2015 outlook. The management emphasized their development on 5 areas of focus, namely business value, sales force, regular premium, agency channel and urban areas. Management appeared committed in improving their agency productivity and quality, and we expect the company to deliver stronger VNB growth of 15% in 2015. Maintain Buy.

A renewed focus on urban cities

China Life management has identified the urban cities as a key area of focus for the company, acknowledging their relatively weak agency development and regular FYP growth in the urban cities. The company has refocused their strategy and resources, targeting to grow more aggressively in the wealthy Chinese cities. With its strong brand name and more targeted strategies, we believe the company is well-positioned to recapture growth in major cities.

On 2H14 VNB growth

On the weaker agency VNB growth in 2H14 of 6.3% (vs. 13.8% in 1H14), the company attributed this to the early agency preparation for 2015 and more time spent on agency recruitment and training, which should bode well for growth in the coming years. With regards to the strong turnaround in bancassurance VNB in 2H14 (+151.0% yoy), it was driven by increased focus on higher margin regular FYP business which grew 58.1% yoy in 2H14, accounting for 25.1% of total bancassurance FYP (vs. 19.5% in 2H13).

On agency force

On agency force, management is committed to improve both the quantity and the quality of China Life's agency force. Management has set aside an increased budget for agency development of Rmb1bn in 2015 (+100% from Rmb500mn in 2014). Management indicated that the company has seen early success of the 90k service and development agents, which helped drove a 17% yoy growth in 10+year regular FYP per agent in 2014. The company has established 3 training institutes in Shanghai, Beijing and Chengdu and opened regional training centers in 10+ provinces.

On investments

While China Life's equity investments has increased to 11.2% of investments in 2014 (vs. 7.6% in 1H14), it was in-part driven by the strong market performance in 2H14. The management emphasized capital preservation as priority and will remain prudent in their investments. We believe this is evident in their relatively conservative exposure to NSI at 4.32% (vs. 14.6% at Ping An Ins).

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Stock data

Market Cap (HKDm)	246,675
Market Cap (USDm)	31,808
Shares outstanding (m)	28,264.7
Major Shareholders	CLIC (68.37%)
Free float (%)	28
Avg daily value traded (USDm)	166.2

Source: Deutsche Bank

Key data

FYE 12/31	2014A	2015E	2016E
Group EV(CNYm)	454,906	511,756	576,598
VNB (CNYm)	23,253	26,821	31,059
Net Profit	32,211	38,456	45,763
P/EV (x)	1.1	1.5	1.3
Implied NB multiple (x)	12.5	8.9	5.6

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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