



Rating
Buy

Asia
China

Banking / Finance
Life Insurance

Company
CTIH Alert

Reuters 0966.HK	Bloomberg 966 HK	Exchange HKG	Ticker 0966
ADR Ticker CTIHY	ISIN US16948V1026		

Date
26 March 2015

Company Update

Price at 26 Mar 2015 (HKD)	25.95
Price target - 12mth (HKD)	32.30
52-week range (HKD)	27.15 - 11.70
HANG SENG INDEX	24,528
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FY14 analyst meeting takeaways

Positioning to be a boutique insurance company in China

We attended Ch Taiping analyst meeting this afternoon. Management was quite content with what they have achieved in 2014, successfully completing their plan to "create a new Taiping in 3 years". In the coming years, Ch Taiping will position itself as a boutique insurance company, focusing on 1) balancing scale and growth; 2) achieving above industry-average VNB growth; 3) efficient resource allocation; and 4) developing productive agency force.

On YTD operating performance

As of March 25, the company has achieved regular FYP of Rmb4,810mn (+83% yoy). Agent quality also see significant improvement in 2M15 with number of agent achieving monthly average premium of Rmb20k grew 79% YTD to 22.4k, accounting for 16.4% of total agents (vs. 9.4% in 2014). The company aims at agent numbers of 170k by end-15, with ~10k new agents for each quarter. By March 25, the total agents stood at 137k (+2.4% YTD).

On agency

Agency accounted for 98.5% of 2014 VNB of HK\$4,326mn. In term of retention rate as of 2M15, 6M retention rate was at 82.8% (vs. 79.8% in 10M14), 13M at 52.7% (vs. 52.4%), 18M retention declined to 30.6% (vs. 40.8% in 10M14 but similar to the rate in 2013). The company noted that these retention rates are ahead of peers.

On EV movements and assumptions

The management further explained among its HK\$7,360mn Inv and other experience variance and others, HK\$7,760mn was investment variance, so there were other operating variances of around HK\$-400mn. The company assigned higher surrender rate to the high cash value products sold through bancassurance but noted that it is within expectation.

Maintain Buy, price target lifted to HK\$32.3/share

We revised up our SOTP-based price target by 5% to HK\$32.3/share to reflect the positive changes in our 2015E EV and VNB forecasts based on stronger-than-expected 2014 results. Our price target implies a 2015 P/EV of 1.4x and NB multiple of 6.7x.

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Key changes

Price target	30.90 to 32.30	↑	4.5%
Net earned prem (FYE)	98,427.1 to 99,471.3	↑	1.1%
Net profit (FYE)	3,664.6 to 3,707.9	↑	1.2%

Source: Deutsche Bank

Stock data

Market Cap (HKDm)	44,252
Market Cap (USDm)	5,706
Shares outstanding (m)	3,112.1
Major shareholders	CH Taiping Grp (69%)
Free Float (%)	44
Avg daily value traded (USDm)	18.5

Source: Deutsche Bank

Key data

FYE 12/31	2014A	2015E	2016E
Group EV (HKDm)	62,432	69,912	78,861
VNB(HKDm)	4,326	5,330	6,567
Net Profit	4,042	3,708	4,382
P/EV (HKD)	0.6	1.1	1.0
Implied NB multiple (x)	1.2	1.8	-0.5

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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