



Rating
Buy

Asia
China

Banking / Finance
Life Insurance

Company
PICC P & C Alert

Reuters 2328.HK	Bloomberg 2328 HK	Exchange HKG	Ticker 2328
ADR Ticker PPCCY	ISIN US69338J1060		

Date
29 March 2015

Results

Price at 27 Mar 2015 (HKD)	15.74
Price target - 12mth (HKD)	17.80
52-week range (HKD)	16.94 - 10.22
HANG SENG INDEX	24,486
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FY14 results – Beat on investment, underwriting slightly ahead

14.6% ahead of DBE on strong investment income

PICC P&C reported 2014 net profit of Rmb15,115mn (+43.2% 2H14 +150.1% yoy) thanks to both strong investment income (+40.8%) and underwriting (+22.3%). This was 8.6% ahead of Bloomberg consensus and 14.6% ahead of DBE thanks to strong investment income (ahead by 15.4%) and underwriting profit (by 1.9%). Combined ratio improved by 0.2ppt to 96.5% (vs. DBE of 96.6%), 2H14 combined ratio improved 1.2ppt to 98.5%. Final dividend was Rmb0.27/shr. We view this as a strong result and we continue to expect PICC P&C to deliver steady underwriting results. Maintain Buy.

Underwriting profits

Underwriting profits was up 22.3% to Rmb7,291mn, combined ratio improved 0.2ppt thanks to lower loss ratio (-1.9ppt to 64.4%) which more than offset higher expense ratio +1.7ppt to 32.2%). The underwriting improvement was mainly driven by a turnaround in commercial property to a profit of Rmb172mn (vs. Rmb917mn loss in 2013), followed by agriculture (+48.6% to Rmb2,076mn) and auto (+23.5% to Rmb3,790mn). This more than offset lower underwriting profits in other business lines. Total 2H14 underwriting profit grew 4.16x to Rmb1,704mn (combined ratio improved 1.2ppt to 98.5%) thanks to lower losses in comm'l property of Rmb308mn (vs. Rmb1,642mn loss in 2H13) and a turnaround in agriculture to Rmb1,062mn (vs. Rmb87mn loss), which more than offset lower profits in auto and other business segments.

Combined ratio by business

Auto: -0.1ppt to 97.7% in 2014; +0.7ppt to 99.0% in 2H14
Comm'l Property: - 13.9ppt to 97.8% in 2014; -36.7ppt to 108.1% in 2H14
Cargo: +23.5ppt to 90.7% in 2014; +17.1ppt to 93.7% in 2H14
Liability: +4.9ppt to 93.6%; +7.2ppt to 96.9% in 2H14
Accident: +3.6ppt to 99.5%; +3.8ppt to 100.4% in 2H14
Agriculture: - 5.4ppt to 83.3%; -14.9ppt to 86.2% in 2H14
Others: +3.6ppt to 90.1%; +5.1ppt to 103.6%

Investments and capital

Total investment income grew 40.8% to Rmb13,217mn thanks to strong investment gains of Rmb1,076mn (vs. Rmb-550mn in 2013). Solvency ratio improved significantly to 238.6% (vs. 180.9% in 1H14 and 180.2% in 2013) thanks to the Rmb8bn sub-debt and rights issue of Rmb7.2bn.

Maintain Buy; price target raised by 3% to HK\$17.8/share

We have raised our 2015E earnings by 3% to Rmb15,503mn. Our target price is lifted by 3% to HK\$17.8/share, based on a target 2015E P/B of 2.2x (18% ROE, 11% risk discount rate and 5% terminal growth).

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Key changes

Price target	17.30 to 17.80	↑	2.9%
Net earned prem (FYE)	233,710.2 to 227,031.2	↓	-2.9%
Net profit (FYE)	15,042.2 to 15,503.2	↑	3.1%

Source: Deutsche Bank

Stock data

Market Cap (HKDm)	202,558
Market Cap (USDm)	26,123
Shares outstanding (m)	14,249.0
Major shareholders	PICC Group (69%)
Free Float (%)	31
Avg daily value traded (USDm)	30.0

Source: Deutsche Bank

Key data

FYE 12/31	2014A	2015E	2016E
Group EV (CNYm)	-	-	-
VNB(CNYm)	-	-	-
Net Profit	15,115	15,503	17,206
P/EV (CNY)	-	-	-
Implied NB multiple (x)	12.5	12.6	12.6

Source: Deutsche Bank

Deutsche Bank AG/Hong Kong

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