

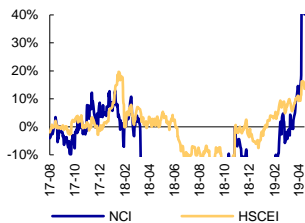
29 April 2019

买入 维持

Market Data: April 26

Closing Price (HK\$)	44.15
Price Target (HK\$)	55.40
HSCEI	11,511
HSCCI	4,582
52-week High/Low (HK\$)	46.95/27.30
Market Cap (USD Mn)	24,136
Market Cap (HK\$ Mn)	189,300
Shares Outstanding (Mn)	3,120
Exchange Rate (RMB-HK\$)	1.18

Price Performance Chart:



Source: Bloomberg

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Related Reports

Marginal improvement, March 21, 2019

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稳健增长

新华保险 (01336 HK)

Financial summary and valuation

	2017	2018	2019E	2020E	2021E
Revenue (Rmbm)	143,082	151,964	182,317	214,494	248,462
YoY (%)	-1.18	6.21	19.97	17.65	15.84
Net income (Rmbm)	5383	7922	9283	11078	13640
YoY (%)	8.92	47.17	17.18	19.33	23.13
EPS (Rmb)	1.73	2.54	2.98	3.55	4.37
Diluted EPS (Rmb)	1.73	2.54	2.98	3.55	4.37
ROE (%)	8.76	12.25	12.59	12.64	13.50
Dividend Yield (%)	0.46	0.68	0.79	0.95	1.17
EVPS	49.19	55.50	63.51	72.87	83.95
ROEV	19.57	18.03	16.91	16.68	17.16
P/EV (x)	0.77	0.68	0.60	0.52	0.45

Note: Diluted EPS is calculated as if all outstanding convertible securities, such as convertible preferred shares, convertible debentures, stock options and warrants, were exercised.

新华保险公布 2018 年一季报，实现归属于母公司股东的净利润同比增加 29.1%至 34 亿元。总资产达到 7676 亿元（同比增长 4.6%），净资产达到 732 亿元（同比增长 11.6%），投资资产达到 7308 亿元（同比增长 4.4%）。保费收入同比增长 9.5%至 432 亿元，已赚保费同比增长 8.8%至 420 亿元。退保率同比减少 2.5 个百分点至 0.6%。我们将 2019 年的每股内含价值预测从 63.31 元调整至 63.51 元（同比增长 14.4%），2020 年的每股内含价值预测从 73.72 元调整至 72.87 元（同比增长 14.7%），2021 年的每股内含价值预测从 83.86 元调整至 83.95 元（同比增长 15.2%）。我们将目标价从 52.2 港元上调至 55.4 港元，相当于 0.75 倍 2019 年预期 P/EV。目标价较目前股价 25.5%的上升空间，我们维持买入评级。

强劲的新单数据。保费收入同比增长 9.5%至 432 亿元，主要来自于续期保费的持续增长，续期保费同比增长 6%至人民币 338 亿元，占比总保费收入的 78%。长期险首年保费同比增长 18.0%至 72 亿元，短期险保费同比增长 48.7%至 22 亿元，分别占比总保费收入的 17%和 5%。公司 2019 年一季度新单保费达到 93 亿元（同比增长 24%），个险、银保渠道新单分别为 67 亿元（同比增长 40%）、17 亿元（同比增长 26%）。在行业保费基本持平的背景下，公司续期拉动增长模式成效显著。在“以附促主”的业务策略下，公司保障型业务得到快速发展。新单保费中期交业务占比长期首年保费的 99.9%，同比增长 18.2%。个险渠道持续同比增长 9.8%至 345 亿元，占比总保费收入 80%。

投资收益率下滑。2019 年一季度，沪深 300 指数上涨 28.6%，但是公司投资收益同比减少 9.7%至 69 亿元，年化总投资收益率同比小幅下滑 0.1 个百分点至 4.2%。主要源于股基分红下滑所致。然而公允价值变动和其他综合收益均扭亏为盈，分别达到 5.95 亿元和 42 亿元，部分抵消投资收益的下滑。

维持买入。我们相信公司以保障型产品为核心的发展战略，并计划实现保障型产品在 2019 年占比 60%以上的目标，以及其继续执行“一主两翼”方针，以健康险为主打，附加险为新增长点，年金险为补充，将为公司在 2019 年保持保费增长。我们预计公司将在 2019 年录得双位数的新业务价值增长。我们将 2019 年的每股内含价值预测从 63.31 元调整至 63.51 元（同比增长 14.4%），2020 年的每股内含价值预测从 73.72 元调整至 72.87 元（同比增长 14.7%），2021 年的每股内含价值预测从 83.86 元调整至 83.95 元（同比增长 15.2%）。我们将目标价从 52.2 港元上调至 55.4 港元，相当于 0.75 倍 2019 年预期 P/EV。目标价较目前股价 25.5%的上升空间，我们维持买入评级。

New China Life Insurance reported 1Q19 results, with net profit arriving at Rmb3.4bn (+29.1% YoY). Total assets reached Rmb767.6bn (+4.6% YoY), net assets reached Rmb73.2bn (+11.6% YoY), investment assets reached Rmb730.8bn (+4.4% YoY). Premium income increased 9.5% YoY to Rmb43.2bn, while premiums earned increased 8.8% YoY to Rmb42.0bn. The surrender rate narrowed 2.5ppts to 0.6%. We expect the company's protection-oriented strategy and focus on health insurance products and riders to improve its fundamentals. We adjust our embedded value per share (EVPS) forecasts from Rmb63.31 to Rmb63.51 in 19E (+14.4% YoY), and from Rmb72.72 to Rmb72.87 in 20E (+14.7% YoY), and from Rmb83.86 to Rmb83.95 in 21E (+15.2% YoY). We update our target price from HK\$52.20 to HK\$55.40 (0.75x 19E P/EV). With 25.5% upside, we maintain BUY.

Strong new business premiums. Gross written premiums (GWP) increased 9.5% YoY to Rmb43.2bn, mainly driven by the growth in renewal premiums of 6.0% YoY to Rmb33.8bn, accounting for 78% of total GWP. While first-year premiums (FYP) from the long-term business reached Rmb7.2bn (+18.0% YoY), while premiums from the short-term business reached Rmb2.2bn (48.7% YoY), accounting for 17% and 5% of total GWP, respectively. New business premiums reached Rmb9.3bn (+24.0% YoY) in 1Q19, with the individual channel increasing 40% YoY to Rmb6.7bn and bancassurance channel rising 26% YoY to Rmb1.7bn. We believe the company's renewal-premium-driven growth model has achieved strong results against the backdrop of flat premium growth across the life insurance industry. The protection business is the key driver for business developments, with FYP from regular premiums accounting for 99.9% of FYP from long-term insurance business, growing by 18.2% YoY. The individual channel continued to outperform, growing 9.8% YoY to Rmb34.5bn, accounting for 80% of total GWP.

Declining investment yield. In 1Q19, the CSI 300 rose 28.6%, while the company's investment income decreased 9.7% YoY to Rmb6.9bn and annualised investment yield reached 4.2% (-0.1ppt YoY) in 1Q19. This is mainly due to decreased dividend income in stock funds. While fair value gains and other comprehensive income both increased from losses to gains compared with 2018, reaching Rmb595m and Rmb4.2bn, offsetting the decline in investment income.

Maintain BUY. We continue to believe that the firm's protection-oriented strategy, with a target revenue contribution from protection products of over 60% in 2019, combined with its focus on health insurance and rider policy sales, will help the company maintain positive growth in premium income. We expect the company to record double-digit new business value (NBV) growth by year-end 2019. We adjust our EVPS forecasts from Rmb63.31 to Rmb63.51 in 19E (+14.4% YoY), and from Rmb72.72 to Rmb72.87 in 20E (+14.7% YoY), and from Rmb83.86 to Rmb83.95 in 21E (+15.2% YoY). We update our target price from HK\$52.20 to HK\$55.40 (0.75x 19E P/EV). With 25.5% upside, we maintain our BUY recommendation.

Appendix

Fig1: Income Statement Forecast

Rmbm	2017	2018	2019E	2020E	2021E
Revenues					
Gross written premiums and policy fees	109356	122341	144574	172626	206264
Less: premiums ceded out	(1264)	(1932)	(2283)	(2726)	(3257)
Net written premiums and policy fees	108092	120409	142291	169900	203007
Net change in unearned premiums liabilities	(102)	(407)	(481)	(574)	(686)
Net premiums earned and policy fees	107990	120002	141810	169325	202321
Investment income	34380	31185	39668	44393	45344
Other income	712	777	839	776	797
Total revenues	143082	151964	182317	214494	248462
Benefits, claims and expenses					
Insurance benefits and claims	(102481)	(109842)	(133853)	(153956)	(176796)
Claims and net change in outstanding claims liabilities	(1763)	(2481)	(2723)	(2828)	(2928)
Life insurance death and other benefits	(70055)	(81182)	(99267)	(116834)	(139601)
Increase in long-term insurance contract liabilities	(30663)	(26179)	(31863)	(34293)	(34266)
Investment contracts benefits	(1277)	(1670)	(1670)	(1670)	(1670)
Commission and brokerage expenses	(15908)	(16711)	(19748)	(27620)	(33002)
Administrative expenses	(13777)	(11968)	(13162)	(15136)	(17406)
Other expenses	(891)	(564)	(564)	(564)	(564)
Total benefits, claims and expenses	(134334)	(140755)	(168996)	(198946)	(229439)
Share of profits and losses of associates	296	404	404	404	404
Finance costs	(1714)	(1103)	(1409)	(1256)	(1332)
Profit before income tax	7330	10510	12316	14697	18095
Income tax expense	(1946)	(2587)	(3031)	(3618)	(4454)
Net profit for the year	5384	7923	9284	11079	13641
Net profit for the year attributable to:					
Owners of the parent	5383	7922	9283	11078	13640
Non-controlling interests	1	1	1	1	1
Earnings per share (RMB)					
Basic and diluted	1.73	2.54	2.98	3.55	4.37

Source: SWS Research, Company data

Fig 2 Balance sheet forecast

Rmbm	2016	2017	2018E	2019E	2020E
Assets					
Property, plant and equipment	8517	11794	12973	11095	11954
Investment properties	4741	7044	7748	6511	7101
Intangible assets	1831	3665	2748	2060	1545
Investments in associates	4896	4792	5271	5271	5271
Debt financial assets	463468	459902	511104	540785	573215
Equity financial assets	131370	116058	116783	123872	131616
Term deposits	41809	64690	68656	72643	76999
Statutory deposits	915	1715	1715	1715	1715
Policy loans	27000	31327	25062	27568	30325
Financial assets purchased under agreements to resell	2872	4318	3172	3454	3648
Accrued investment income	7173	8019	8287	7826	8044
Premiums receivable	2338	2307	2164	2270	2247
Deferred tax assets	36	1777	707	840	1108
Reinsurance assets	2195	2691	2691	2691	2691
Other assets	2302	4825	3654	9470	9730
Cash and cash equivalents	8812	9005	15257	16143	17111
Total assets	710275	733929	787991	834213	884319
Investment assets	688315	699826	750035	794006	842672
Liabilities					
Long-term insurance contract liabilities	573170	591751	623614	657907	692173
Outstanding claims liabilities	827	1064	1064	1064	1064
Unearned premiums liabilities	1280	1805	1805	1805	1805

Investment contracts	33928	40492	44541	44541	44541
Borrowings	4000	4000	4000	4000	4000
Financial assets sold under agreements to repurchase	19925	12959	14255	14255	14255
Benefits, claims and surrenders payable	3176	5318	5318	5318	5318
Premiums received in advance	1941	1808	1898	1993	2093
Reinsurance liabilities	237	462	462	462	462
Provisions	29	29	29	29	29
Other liabilities	6624	7242	7604	7984	8384
Current income tax liabilities	1352	1252	1352	1252	1352
Deferred tax liabilities	54	59	59	59	59
Total liabilities	646552	668333	706094	740762	775627
Shareholders' equity					
Share capital	3120	3120	3120	3120	3120
Reserves	33395	31056	39016	40616	42216
Retained earnings	27200	31411	39752	49707	63347
Equity attributable to owners of the parent	63715	65587	81888	93443	108683
Non-controlling interests	8	9	9	9	9
Total equity	63723	65596	81897	93452	108692
Total liabilities and equity	710275	733929	787991	834213	884319

Source: SWS Research, Company data

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