

2 January 2019

买入
维持

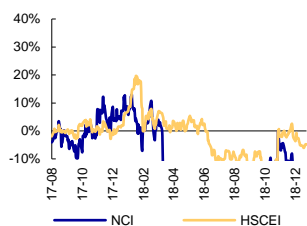
坚持“一主两翼”，加强风险管理

新华保险 (1336 HK)

Market Data: January 2

Closing Price (HK\$)	30.25
Price Target (HK\$)	52.20
HSCEI	9,834
HSCCI	4,011
52-week High/Low (HK\$)	57.65/30.20
Market Cap (USD Mn)	16,926
Market Cap (HK\$ Mn)	132,700
Shares Outstanding (Mn)	3,120
Exchange Rate (RMB-HK\$)	1.14

Price Performance Chart:



Source: Bloomberg

Analyst

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Financial summary and valuation

	2016	2017	2018E	2019E	2020E
Revenue (Rmbm)	144,796	143,082	166,833	191,507	222,383
YoY (%)	(8.31)	(1.18)	16.60	14.79	16.12
Net income (Rmbm)	4942	5383	8329	9934	13331
YoY (%)	(42.54)	8.92	54.73	19.27	34.20
EPS (Rmb)	1.58	1.73	2.67	3.18	4.27
Diluted EPS (Rmb)	1.58	1.73	2.67	3.18	4.27
ROE (%)	8.45	8.76	11.99	12.34	14.41
Dividend Yield (%)	1.80%	1.96%	3.01%	3.57%	4.76%
EVPS	41.49	49.19	55.83	63.26	72.46
ROEV	20.20	19.57	15.23	15.71	16.05
P/EV (x)	0.64	0.54	0.48	0.42	0.37

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

2019 年新华保险将继续执行“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。在近期的投资者开放日上，公司重申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。

附加险为新增长点。公司维持其在 2018 年底健康险首年新单保费达到 120 亿元以及其相关附加险达到 30 亿元的目标。对于 2019 年，管理层预计各类产品销售存在差异：年金险产品减少，但健康险产品增长。具体而言，公司预计 2019 年健康险产品销售将实现两位数增长，但由于 2018 年储蓄型产品新单保费的下降，预计续期保费将只实现个位数的增长。公司还计划将附加险的销售提高两倍至 2019 年的 60 亿元，20%的附加险渗透率是公司的目标。公司认为，附加险是其与竞争对手差异化表现的重点，2018 年，70%的新单销

The clients shall have a comprehensive understanding of the disclosure and disclaimer upon the last page.

售都捆绑了平均两个附加险的销售。

代理人稳健发展，以风险管理为核心。新华保险的代理人队伍在 2018 年上半年达到 33.4 万人，过去三年复合增长率只有约 10%。其他上市的同行人力增长约为 20-30%。然而，其代理人队伍已经取得了显著的结构改善，超过 12 个月的代理人人数从 2015 年的 18% 增加到 2018 年上半年的 52%。公司在生产率提高方面也取得了不错的进展，活动率为 50%（行业平均值为 35%），每个代理人的保单数为约 2.3 个，每月产能为 4,000 元。公司通过提高代理人质量，成功降低了运营经验的差异。管理层预计，2019 年的代理人人数增长将与 2018 年大致相符。新华保险编制了业内首个风险管理培训材料，并授予 7,158 名代理商风险管理专家资格，公司预计到 2019 年应达到 100,000 名。

以保障型产品为主的开门红销售。2019 年的开门红销售，管理层表明将聚焦保障型产品，附加特定心脑血管疾病保险的销售模式以满足各种层次和群体的需求。与此同时，银保渠道将以年金险销售为主。管理层指出，随着保障型产品的增长，以及消费者对于储蓄型产品的重视程度降低，开门红的影响力将逐渐减弱，未来保险行业的增长将更加均衡。

维持买入。我们相信新华保险的保障型产品为核心的战略以及对健康险和附加险的持续培养将改善公司的基本面。但是由于储蓄型产品销售的下滑，我们调整 2018 年的每股内含价值预测为人民币 55.8 元（同比增长 13.5%），2019 年的每股内含价值预测为人民币 63.7 元（同比增长 14.2%），2020 年的每股内含价值预测为人民币 73.5 元（同比增长 15.3%）。我们下调目标价至 52.2 港元，相当于 0.72 倍 2019 年预期 P/EV。目标价相较于目前股价 72.6% 的上升空间，我们维持买入评级。

We believe New China Life Insurance will keep focusing on health insurance in 2019. At the firm's recent investor open day, management reiterated its protection-oriented strategy, targeting revenue contribution from protection products of over 60% in 2019. We revise down our embedded value per share (EVPS) forecasts from Rmb56.25 to Rmb55.80 in 18E (+13.5% YoY), from Rmb66.40 to Rmb63.70 in 19E (+14.2% YoY), and from Rmb78.20 to Rmb73.50 in 20E (+15.4% YoY). We lower our target price from HK\$66.43 to HK\$52.20 (0.72x 19E P/EV). With 72.6% upside, we maintain BUY.

Rider-driven growth. The firm had maintained its health insurance sales target of Rmb12bn for first-year premiums (FYP) and Rmb3bn for related rider policies in 2018. For 2019, management expects differences in product sales with decreasing annuity products and growing health products. More specifically, the company forecasts double-digit growth for health insurance in 2019, and expects single-digit growth for renewals due to a decline in 2018 savings FYP. It also targets doubled rider sales, from Rmb3bn in 2018 to Rmb6bn in 2019 (20% rider penetration target). We note riders were attached to 70% of new policies, with two riders per policy on average in 2018.

Steady agent growth with risk management focus. The firm recorded relatively low agent growth compared to peers in recent years, with 334k agents in 1H18, representing a Cagr of c.10% over the past three years (vs 20-30% for its peers). However, we note significant structural improvement, with the number of agents working for the firm for over 12 months increasing from 18% in 2015 to 52% in 1H18. We also note decent progress in agents' productivity, with an activity ratio of 50% (vs industry average: c.35%) as well as 2.3 policies and c.Rmb4k FYP per agent every month. The company managed to reduce the variance of its operating expenses significantly by improving agents' quality. Management expects 2019 agent growth to be in line with that in 2018. The firm compiled the first risk management training materials in the industry and granted risk management specialisation qualifications to 7,158 agents, which should increase to 100,000 by 2019 according to management.

Protection-oriented jumpstart sales. Management guided that protection products will be the key focus for 2019 jumpstart sales, with riders as an important supplement (the firm will launch the first cardiovascular disease rider in the industry during 2019 jumpstart sales). Meanwhile, the

bancassurance segment will focus more on annuity products. Management also noted that, with a growing protection business and less emphasis on savings products, the effect of jumpstart sales will gradually wear off and, as such, the sector's growth should become more balanced in the future.

Maintain BUY. We believe the firm's protection-oriented strategy and continued focus on health insurance products and riders will improve its fundamentals. However, due to declining savings FYP, we revise down our EVPS forecasts from Rmb56.25 to Rmb55.80 in 18E (+13.5% YoY), from Rmb66.40 to Rmb63.70 in 19E (+14.2% YoY), and from Rmb78.20 to Rmb73.50 in 20E (+15.4% YoY). We lower our target price from HK\$66.43 to HK\$52.20 (0.72x 19E P/EV). With 72.6% upside, we maintain BUY.

Appendix

Fig1: Income Statement Forecast

RMB mn	2016	2017	2018E	2019E	2020E
Revenues					
Gross written premiums and policy fees	112648	109356	129212	152629	182227
Less: premiums ceded out	-936	-1264	-1494	-1764	-2106
Net written premiums and policy fees	111712	108092	127719	150865	180121
Net change in unearned premiums liabilities	-77	-102	-121	-142	-170
Net premiums earned and policy fees	111635	107990	127598	150722	179951
Investment income	32134	34380	38157	39846	41522
Other income	1027	712	1078	939	910
Total revenues	144796	143082	166833	191507	222383
Benefits, claims and expenses					
Insurance benefits and claims	-108894	-102481	-120964	-138991	-160002
Claims and net change in outstanding claims liabilities	-1221	-1763	-1592	-1512	-1436
Life insurance death and other benefits	-80375	-70055	-99526	-117563	-140362
Increase in long-term insurance contract liabilities	-27298	-30663	-19846	-19915	-18204
Investment contracts benefits	-1067	-1277	-1277	-1277	-1277
Commission and brokerage expenses	-13538	-15908	-16152	-19079	-22778
Administrative expenses	-13081	-13777	-15155	-16670	-18337
Other expenses	-428	-891	-891	-891	-891
Total benefits, claims and expenses	-137008	-134334	-154438	-176907	-203286
Share of profits and losses of associates	148	296	296	296	296
Finance costs	-1454	-1714	-1584	-1649	-1617
Profit before income tax	6482	7330	11107	13246	17776
Income tax expense	-1539	-1946	-2777	-3312	-4444
Net profit for the year	4943	5384	8330	9935	13332
Net profit for the year attributable to:					
Owners of the parent	4942	5383	8329	9934	13331
Non-controlling interests	1	1	1	1	1
Earnings per share (RMB)					
Basic and diluted	1.58	1.73	2.67	3.18	4.27

Source: SWS Research, Company data

Fig 2 Balance sheet forecast

RMB mn	2016	2017	2018E	2019E	2020E
Assets					
Property, plant and equipment	7,849	8,517	7,731	8,032	8,093
Investment properties	3395	4,741	3,438	3,858	4,012
Intangible assets	1,792	1,831	1,871	1,912	1,953
Investments in associates	4,575	4,896	4,896	4,896	4,896
Debt financial assets	436,810	463,468	475,162	503,709	524,903
Equity financial assets	107,693	131,370	110,295	115,393	120,454
Term deposits	79,845	41,809	71,994	67,662	70,509
Statutory deposits	816	915	915	915	915
Policy loans	23831	2,700	27,000	27,000	27,000
Financial assets purchased under agreements to resell	2,325	2,872	1,763	2,320	2,318
Accrued investment income	9,669	7,173	7,173	8,005	7,450
Premiums receivable	1,846	2,338	1,903	2,029	2,090
Deferred tax assets	308	36	117	154	102
Reinsurance assets	2,693	2,195	2,195	2,195	2,195
Other assets	1504	2,302	11,165	9,829	12,601
Cash and cash equivalents	14,230	8,812	14,399	15,036	15,669
Total assets	699181	710,275	742,015	772,945	805,161
Investment assets	679,794	659,119	708,700	740,041	769,218
Liabilities					
Long-term insurance contract liabilities	541424	573170	593016	612931	631135
Outstanding claims liabilities	640	827	827	827	827
Unearned premiums liabilities	1164	1280	1280	1280	1280

Investment contracts	30071	33928	33928	33928	33928
Borrowings	14000	4000	4000	4000	4000
Financial assets sold under agreements to repurchase	39246	19925	19925	19925	19925
Benefits, claims and surrenders payable	2950	3176	3176	3176	3176
Premiums received in advance	3042	1941	2038	2140	2247
Reinsurance liabilities	215	237	237	237	237
Provisions	29	29	29	29	29
Other liabilities	5899	6624	6955	7303	7668
Current income tax liabilities	1313	1352	1313	1352	1313
Deferred tax liabilities	54	54	54	54	54
Total liabilities	640056	646552	666787	687191	705828
Shareholders' equity					
Share capital	3,120	3,120	3,120	3,120	3,120
Reserves	31,646	33,395	37,416	39,016	40,616
Retained earnings	24,352	27,200	34,684	43,610	55,589
Equity attributable to owners of the parent	59,118	63,715	75,220	85,746	99,325
Non-controlling interests	7	8	8	8	8
Total equity	59,125	63,723	75,228	85,754	99,333
Total liabilities and equity	699,181	710,275	742,015	772,945	805,161

Source: SWS Research, Company data

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