



Ping An Insurance

Challenges in S-T; dividend growth & share buyback support valuation

Investment Focus

Action

We expect increases in embedded value (EV) and OPAT in 2020 to bring a 15% investment return to Ping An. While slowing growth of financial indicators may restrain P/EV and P/OPAT, we think dividend growth and share buyback will limit the downside. Maintain OUTPERFORM. Although growth of life insurance in 2020 may miss expectations, we remain upbeat about Ping An's long-term investment value. We think Ping An is a Chinese insurer with both good corporate governance and good management, and is a long-term investment target with few alternatives for global investors. We expect visible returns from Ping An's double-digit EV and operating profit growth and increasing dividends in 2020e-2022e.

Reasoning

The market has not fully anticipated the negative impact of the life insurance agent channel transformation. We expect Ping An's new business value (NBV) growth to be 1% in 2020, 8% in 2021 and 8% in 2022, lower than market expectations.

We expect auto insurance growth to continue to slow, and credit insurance may face a bottleneck. We think falling average premiums per car will cause Ping An's auto insurance growth to continue to slow. We expect limited incremental underwriting profit from credit insurance in the future.

The firm holds sufficient cash to simultaneously increase dividends and buy back shares. We estimate that Ping An can still maintain over 15% dividend growth and Rmb10bn share buyback (Rmb5bn in 2019) each year in 2020-2022. See page 4 for more details.

Earnings forecast and valuation

Ping An-H/-A is trading at 1.0x/1.1x 2020e P/EV. Based on the latest operating conditions, we adjust 2020 EPS forecast by -11% to Rmb8.2 and 2021 EPS forecast by 2% to Rmb9.9, and we introduce 2022 EPS forecast of Rmb10.4 (see Figure 13). Based on the updated forecasts of key indicators and tech business valuation, we cut our target prices for Ping An-H/-A by 11% and 10% to HK\$101 and Rmb92 (implying 1.2x and 1.2x 2020e P/EV), offering 13% and 12% upside. Maintain OUTPERFORM.

Risks

Negative growth in NBV; rapid decline in long-term interest rates; longer-than-expected COVID-19 impact.

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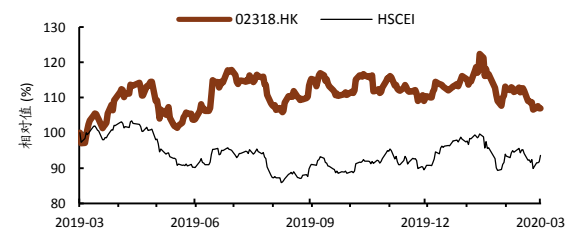
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Maintain OUTPERFORM

Ticker	601318.SH	02318.HK
CICC investment rating	OUTPERFORM	OUTPERFORM
Last close	Rmb82.45	HK\$89.05
CICC target	Rmb92.00	HK\$101.00
52wk price range	Rmb92.50~66.68	HK\$101.00~78.45
Market cap (bn)	Rmb1,484	HK\$1,666
Daily value (mn)	Rmb5,701.14	HK\$2,925.64
Shares outstanding (mn)	18,280	18,280
Free float (%)	59	41
Daily volume (mn sh)	70.62	32.74
Business sector		Insurance



(Rmb mn)	2018A	2019A	2020E	2021E
Revenue	719,556	795,064	789,302	836,006
(+/-)	18.9%	10.5%	-0.7%	5.9%
Net profit	107,404	149,407	149,455	180,691
(+/-)	20.6%	39.1%	0.0%	20.9%
EPS	5.88	8.17	8.18	9.88
BPS	30.44	36.82	42.42	49.89
DPS	1.82	1.85	2.17	2.49
EVPS	54.84	65.67	75.57	86.95
P/E	13.3	9.8	9.4	7.8
P/B	2.6	2.2	1.8	1.5
P/EV	1.43	1.22	1.02	0.88
Dividend yield	2.3%	2.3%	2.8%	3.2%
ROAA	1.6%	1.9%	1.7%	1.8%
ROAE	20.9%	24.3%	20.6%	21.4%

Source: Wind, Bloomberg, Corporate filings, CICC Research



Financial summary

三	2018A	2019A	2020E	2021E	Financial ratios	2018A	2019A	2020E	2021E
Income Statement					Embedded value				
Gross written premiums and policy fees	719,556	795,064	789,302	836,006	NBV	72,294	75,945	76,704	82,841
Net premiums earned	677,703	748,779	742,322	784,329	Value in force	400,301	489,937	538,845	586,057
Investment income	120,520	201,738	186,395	209,857	Life EV	613,223	757,490	875,046	1,008,519
Other income	265,849	299,350	333,944	370,610	Group EV	1,002,455	1,200,533	1,381,420	1,589,538
Operating income	1,064,072	1,249,867	1,262,660	1,364,796	Growth ability				
Net benefits and claims	-160,678	-178,016	-221,274	-245,700	GPW	18.9%	10.5%	-0.7%	5.9%
Change in reserve	-278,918	-400,297	-297,848	-292,730	NPE	18.3%	10.5%	-0.9%	5.7%
Other expense	-479,399	-510,039	-567,776	-614,197	Net profit to shareholders	20.6%	39.1%	0.0%	20.9%
Operating expense	-918,995	-1,088,352	-1,086,899	-1,152,627	NBV	7.3%	5.1%	1.0%	8.0%
Operating profit	145,077	161,515	175,761	212,169	Key ratios				
Share of profits/(losses) of associates	18,074	23,224	23,959	24,763	NBV/APE margin	44.4%	47.8%	47.8%	47.8%
Profit before tax	163,151	184,739	199,720	236,932	P&C combined ratio	96.1%	96.3%	95.7%	96.3%
Income tax	-42,699	-20,374	-36,248	-40,520	Net investment yield	4.8%	4.8%	4.8%	4.8%
Net profit	120,452	164,365	163,472	196,412	Gross investment yield	3.4%	6.4%	6.4%	6.4%
Minority interest	13,048	14,958	14,017	15,721	Life Solvency ratio	226.2%	255.8%	272.7%	0.0%
Net profit to shareholders	107,404	149,407	149,455	180,691	P&C Solvency ratio	149.7%	159.8%	193.1%	0.0%
Balance sheet					Group Solvency ratio	180.2%	206.7%	209.4%	0.0%
Cash and Deposits	317,783	306,605	354,120	404,057	Return				
Debt securities	1,270,765	1,504,059	1,737,147	1,982,115	ROA	1.6%	1.9%	1.7%	1.8%
Equity securities	399,499	502,050	579,854	661,623	ROE	20.9%	24.3%	20.6%	21.4%
Other investment assets	806,573	896,122	875,399	998,845	Life ROEV	23.5%	23.5%	15.5%	15.3%
Total investment assets	2,794,620	3,208,836	3,546,520	4,046,641	Group ROEV	21.5%	19.8%	15.1%	15.1%
Other assets	4,348,340	5,014,093	5,761,214	6,614,909	Per-share data				
Total assets	7,142,960	8,222,929	9,307,734	10,661,550	EPS (Rmb)	5.88	8.17	8.18	9.88
Insurance contract liabilities	2,211,887	2,612,184	2,910,032	3,202,762	BVPS (Rmb)	30.44	36.82	42.42	49.89
Investment contract liabilities	52,747	57,489	62,657	68,290	EVPS (Rmb)	54.84	65.67	75.57	86.95
Subordinated debts	34,609	34,609	34,609	34,609	DPS (Rmb)	1.82	1.85	2.17	2.49
Other liabilities	4,160,074	4,666,277	5,318,511	6,201,078	Trading multiples				
Total liabilities	6,459,317	7,370,559	8,325,809	9,506,739	P/EV	1.4	1.2	1.0	0.9
Total equities	683,643	852,370	981,925	1,154,811	P/BV	2.6	2.2	1.8	1.5
Minority interests	127,135	179,209	206,448	242,797	P/NAV	2.1	1.7	1.4	1.2
Shareholders' funds	556,508	673,161	775,477	912,014	P/E	13.3	9.8	9.4	7.8
Total equities and liabilities	7,142,960	8,222,929	9,307,734	10,661,550	Dividend yield	2.3%	2.3%	2.8%	3.2%

Source: Corporate filings, CICC Research

Company description

Ping An Insurance Group Co of China Ltd is the first joint-stock insurance company in China, and has become a comprehensive provider of various financial services, including insurance, banking and investment. Working together with its multiple subsidiaries and through its multi-channel distribution network, the company provides over 60mn clients with a full range of customized financial products and services.



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Reasoning in full

The market has not fully anticipated the negative impact of the life insurance agent channel transformation. As new business value (NBV) growth continued to slow in 2018–2019, Ping An started to promote agent transformation in 2019. Management said at the 2019 earnings conference call that the agent transformation will continue in 2020. We think the market has recognized the drag from COVID-19 on Ping An's new business in 1H20, but has not fully anticipated the negative impact of the agent channel transformation on Ping An's 2020 results, and market expectations for the firm's long-term growth after the transformation remain too high. We expect Ping An's NBV growth to be 1% in 2020, 8% in 2021 and 8% in 2022, lower than market expectations.

We expect auto insurance growth to continue to slow, and credit insurance may face a bottleneck. Considering the slowdown in new car sales growth and the direction of regulatory policy changes, we think falling average premiums per car will cause Ping An's auto insurance growth to continue to slow. We expect limited incremental underwriting profit from credit insurance in the future, because the rise in industry-wide credit risk limits the supply of business that meets the firm's risk control standards. Meanwhile, borrowers' cash flow problems caused by COVID-19 may have a negative impact on the credit insurance payment experience in 2020.

The firm holds sufficient cash to simultaneously increase dividends and buy back shares. Thanks to the strong cash generation from life and P&C insurance, Ping An's free cash (Rmb45.1bn as of end-2019) continue to increase after dividend payment and investment in subsidiaries each year. We estimate that even considering a slowdown in life insurance growth and a substantial increase in the tech business, Ping An can still maintain over 15% dividend growth and a Rmb10bn share buyback (Rmb5bn in 2019) each year in 2020–2022, which should effectively limit downside of the share prices.



Challenges in S-T; dividend growth and share buyback support valuation

Life insurance: The market has not fully anticipated the negative impact of the life insurance agent channel transformation

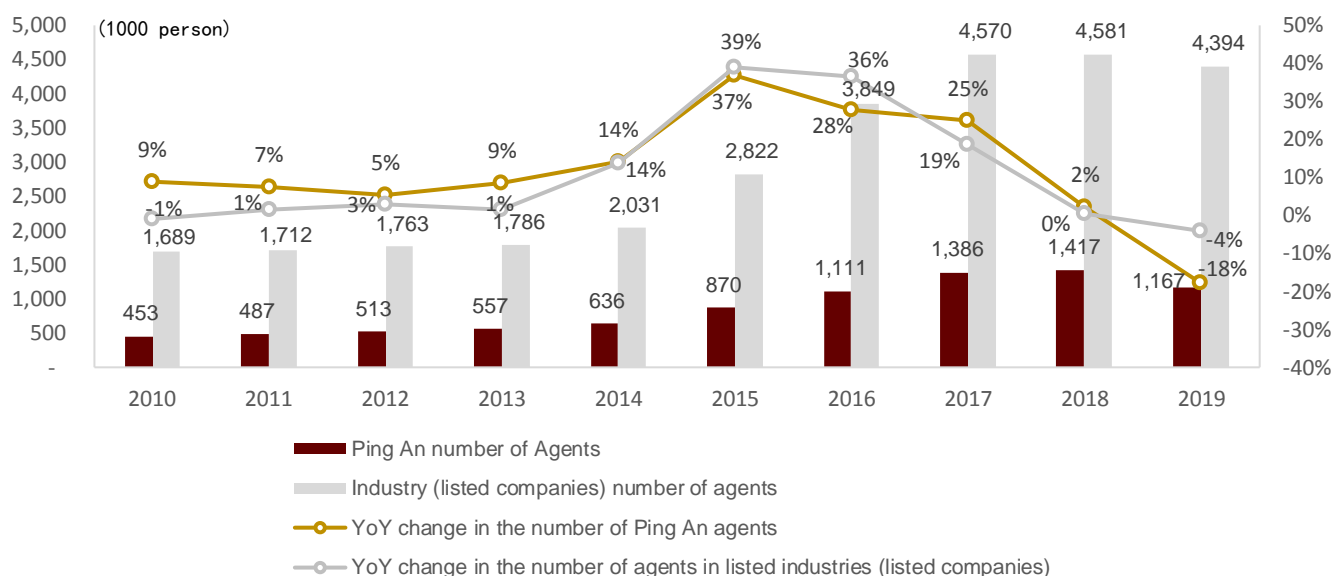
As China began restricting short-term deposit-type insurance policies in October 2017, insurers began to transform agent teams in 2018. Such transformation caused falling agent numbers, lower productivity, and decreased revenue per agent. As a result, growth of new business value (NBV) slowed markedly in 2018–2019.

Unlike consensus, we think the sector-wide agent team transformation will still last until 2021 (even not considering the impact of COVID-19). We expect sector NBV to increase slightly or remain flat, and sector NBV growth may miss market expectations during the period. In order to prevent sharp drops in NBV and headcounts in the near term, Ping An and other major insurers slowly and gradually transform to maintain NBV growth and their agent teams, thus leading to slow elimination of uncompetitive agents and a lengthy transformation period.

In line with industry trend, Ping An's NBV growth slowed to 7% in 2018 and 5% in 2019. The company began to transform its agent team in 2019, resulting in an 18% drop in the number of agents. Management said at the 2019 earnings conference call that the agent transformation will continue in 2020. Ping An increased expenses in 2019, (a reason behind the sharp YoY drop in operating variance), but the number of agents continued to decline.

We think the market has recognized the drag from COVID-19 on Ping An's new business in 1H20, but has not fully anticipated the negative impact of the agent channel transformation on Ping An's 2020 results, and market expectations for the firm's long-term growth after the transformation remain too high. We expect Ping An's NBV growth to be 1% in 2020, 8% in 2021 and 8% in 2022, lower than market expectations.

Figure 1: Agent numbers in the insurance industry decreased



Source: Corporate filings, CICC Research

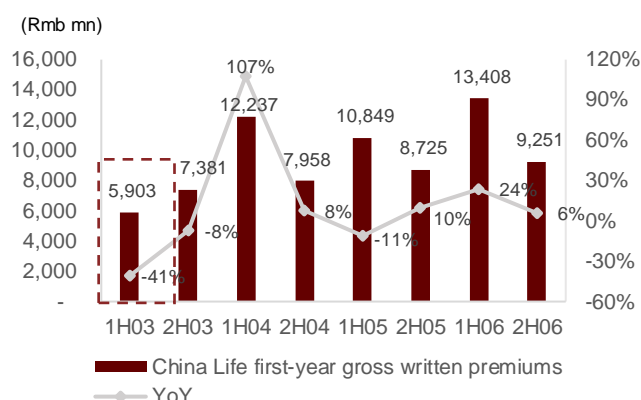


Figure 2: Ping An's number of agents declined in 2019 despite higher expenses

	2015	2016	2017	2018	2019
FYP per mth per agent (Rmb)	8,104	8,552	9,122	7,771	8,038
YoY (%)	9%	6%	7%	-15%	3%
NBV per mth per agent (Rmb)	3,808	3,905	4,058	3,829	4,399
YoY (%)	31%	3%	4%	-6%	15%
Number of agents (person)	869,895	1,110,805	1,385,987	1,417,383	1,166,914
YoY (%)	37%	28%	25%	2%	-18%
Operating variance (Rmb mn)	825	-259	8,886	13,938	3,672
YoY (%)	200%	-131%	-3531%	57%	-74%

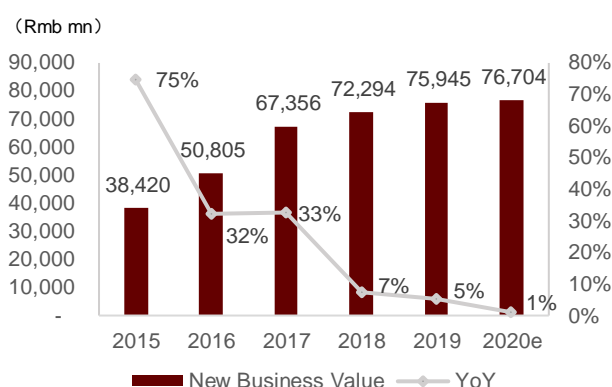
Source: Corporate filings, CICC Research

Figure 3: China Life – First-year gross written premiums dropped in 1H03 during the SARS outbreak



Source: Corporate filings, CICC Research

Figure 4: Ping An – New business value



Source: Corporate filings, CICC Research

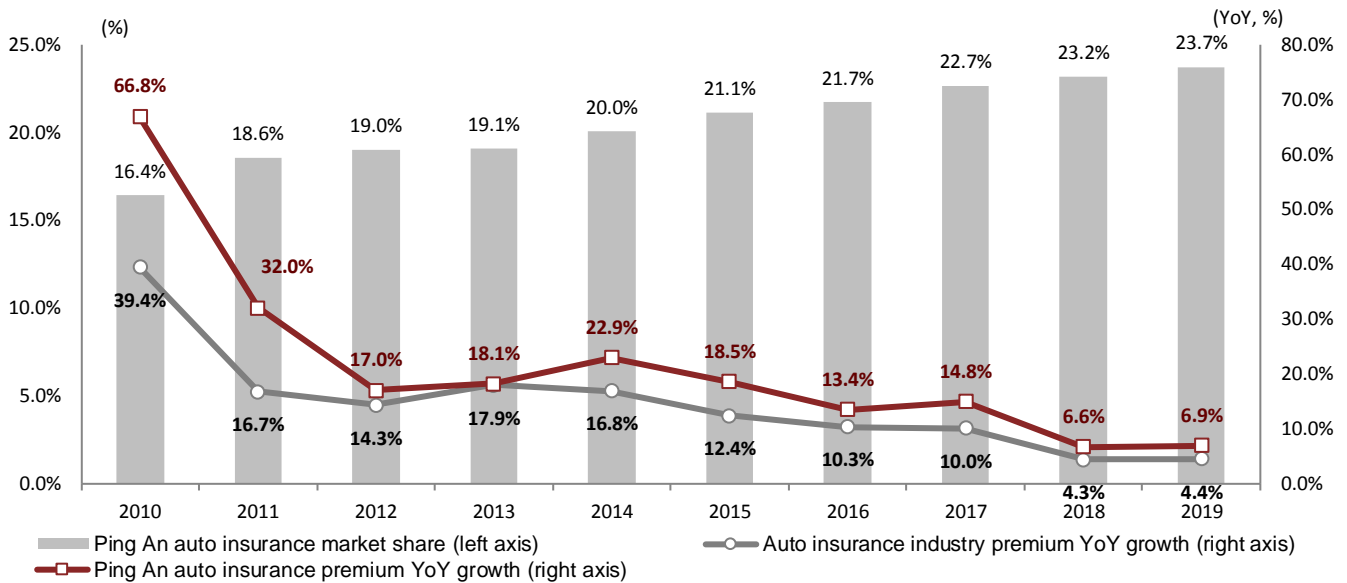
P&C insurance: We expect auto insurance growth to continue to slow, and credit insurance may face a bottleneck

Ping An's auto insurance has long led the sector in premium growth and underwriting profit thanks to stricter expense control than state-owned large insurers. We think growth of its auto insurance business will continue to outpace the industry in the long term, but the ROE may be affected by changes in industry policies.

Considering the slowdown in new car sales growth and the direction of regulatory policy changes, we think falling average premiums per car will cause Ping An's auto insurance growth to continue to slow. However, we think market liberalization will benefit companies that have pricing capacity and provide high-quality services. Therefore, we expect underwriting profitability of Ping An's auto insurance to increase.

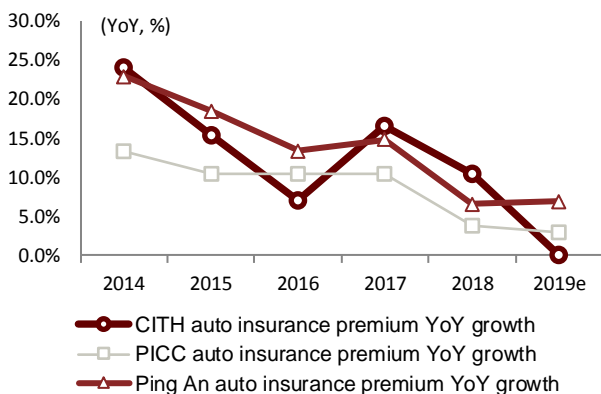


Figure 5: Ping An – Market share in the auto insurance market continued to increase and insurance premiums growth remained faster than the industry average over 2010–2019



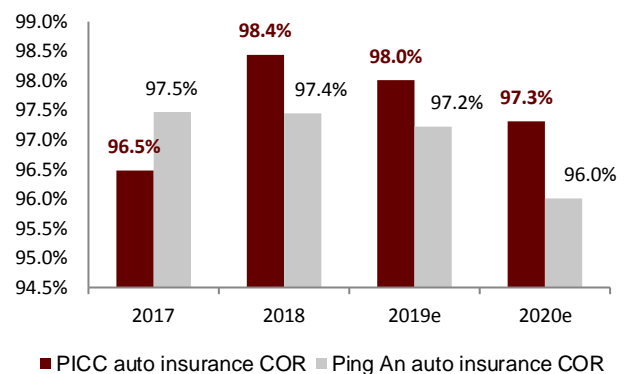
Source: Yearbook of China's Insurance, Corporate filings, CICC Research

Figure 6: Ping An's auto insurance is growing faster than peers



Note: Ping An's 2019 data is calculated based on the 2019 annual report Source: Corporate filings, CICC Research

Figure 7: COR of Ping An's auto insurance lower than peers



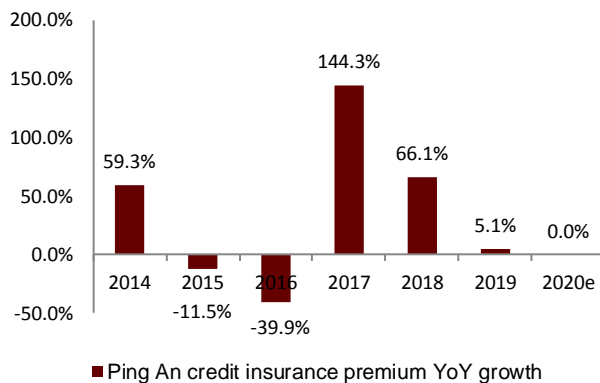
Note: Ping An's 2019 data is calculated based on the 2019 annual report Source: Corporate filings, CICC Research

Ping An's credit insurance business maintained rapid growth in underwriting earnings over 2013–2018, but dropped for the first time in 2019 (-30%) due to a 5ppt increase in combined ratio, implying deteriorating credit risks for the financial assets underwritten.

Given Ping An P&C insurance's high exposure to Lufax, the market is concerned about Ping An P&C's on-B/S credit risk. We think Ping An will maintain strict risk screening standards, and actual credit risk exposure should be limited. However, we expect limited incremental underwriting profit from credit insurance in the future, because the rise in industry-wide credit risk limits the supply of business that meets the firm's risk control standards. Meanwhile, we expect borrowers' cash flow problems caused by COVID-19 may have a negative impact on the credit insurance claim settlement in 2020.

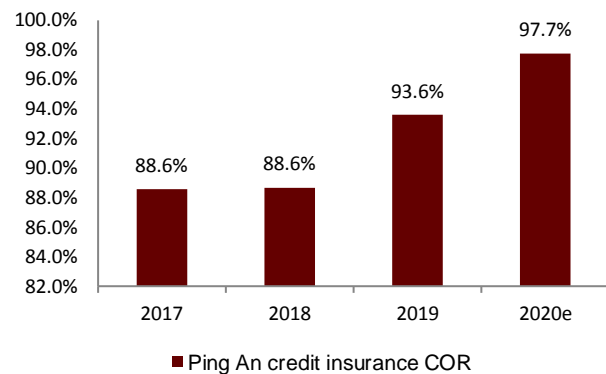


Figure 8: Ping An's credit insurance premium growth slowing after the highs in 2017



Source: Corporate filings, CICC Research

Figure 9: Ping An credit insurance's COR rising since 2018



Source: Corporate filings, CICC Research

Capital and dividend: The firm holds sufficient cash to simultaneously increase dividends and buy back shares

For shareholders, Ping An should use all of its free cash for dividend payment and share buy-back while meeting regulatory and risk-control requirements, unless Ping An can spend the capital on business and/or M&A with high ROIC.

We analyzed Ping An's possible capital spending:

- ▶ Insurance business enjoys high ROIC (ROEV of life insurance and ROE of P&C insurance both higher than 20%). However, due to slowing growth in the domestic insurance market, the insurance business does not need capital injection (except for health insurance). Instead, it can contribute a large amount of capital, as annual profit from the insurance business can fully cover the extra capital requirement from insurance business expansion.
- ▶ Bank business has high ROIC (ROE above 10% with room for upside). Amid organic expansion of the bank business and continuing retail transformation, we believe Ping An Bank can accommodate more group capital while maintaining stable ROIC. We estimate the group will inject more capital into Ping An Bank.
- ▶ Ping An's tech business still requires high capex. We expect the group to continue investing in the tech business, but it is hard to accurately forecast ROIC.

Based on the aforementioned analysis, we believe the group can invest more capital in the bank business while maintaining high ROIC at the same time. The insurance business cannot accommodate more capital, while the tech business needs more capex but ROIC is unpredictable. Not considering M&A, we believe it is best for the group to use its funds to improve dividends and share buy-back, increasing capital in Ping An Bank and moderately investing in the tech business.



The group's free cash totaled Rmb45.1bn as of end-2019, which is a direct source of funds for dividend payment and share buyback. We believe Ping An can still maintain over 15% dividend growth and a Rmb10bn share buyback (Rmb5bn in 2019) each year in 2020–2022, by assuming that: 1) group dividend maintains 15% growth p.a.; 2) life insurance subsidiary's dividend for the group slows due to decelerating new business growth and possible regulatory changes under C-ROSS; 3) capital increase in Ping An Bank will continue every year; 4) tech investment will be much higher than in 2017–2019; and 5) YoY growth in year-end free cash.

Figure 10: Estimated potential for increasing dividend and share buyback in 2020–2021 based on free cash

Rmb mn	2016	2017	2018	2019	2020e	2021e	2022e
Opening balance of free cash	27,291	35,570	38,332	42,010	45,068	49,610	50,761
Dividend from subsidiaries	28,474	25,711	48,566	52,695	67,124	69,192	77,092
Dividend out to shareholders	-10,054	-19,194	-33,270	-33,775	-39,580	-45,539	-52,286
Share repurchase	-	-	-	-5,001	-10,002	-10,002	-10,002
Investments in subsidiaries	-14,142	-7,702	-8,584	-14,164	-13,000	-12,500	-12,500
Others	4,001	3,947	-3,034	3,303	-	-	-
Closing balance of free cash	35,570	38,332	42,010	45,068	49,610	50,761	53,065
YoY %		8%	10%	7%	10%	2%	5%

Source: Corporate filings, CICC Research

Earnings forecast: We expect operating profit and embedded value to maintain double-digit growth

Based on the latest COVID-19 situation, we estimate COVID-19 will reduce 2020 NBV by 3%, group EV by 0.4% (due to changes in NBV, investment variance and operating variance) and group OPAT by 1% (due to changes in NBV growth and operating variance).

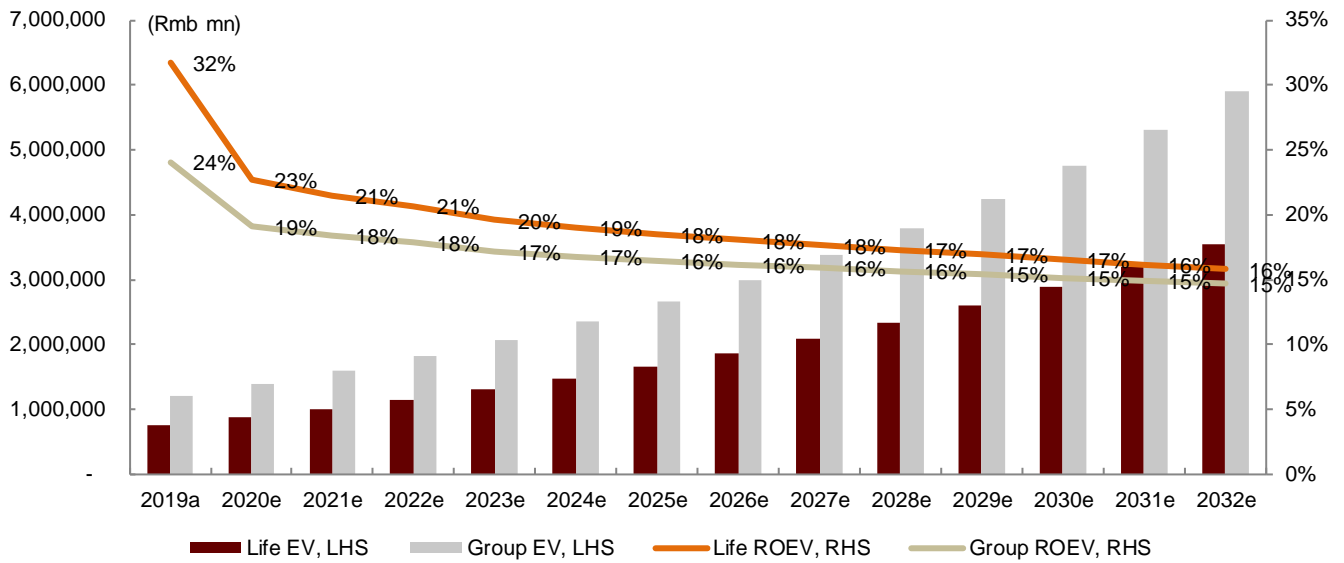
We updated key assumptions over 2020–2022.

- ▶ NBV to grow 1%, 8% and 8%;
- ▶ OPAT to grow 11%, 12% and 13%, with life insurance business' operating profit to increase 12%, 13% and 13% (vs. 19% in 2018 and 18% in 2019), decelerating as slowing NBV growth pressures the growth of residual margin.
- ▶ Attributable net profit to grow 0%, 21% and 5% YoY;
- ▶ Group EV to grow 15%, 15% and 14% (vs. 21% in 2018 and 20% in 2019), slowing due to life NBV growth staying below double digits.

In 2023–2032, we expect group EV growth to decelerate to 15%, as life NBV should grow slower than EV and NBV's contribution to EV growth. In addition, we expect operating profit growth to slow and gradually stabilize in the high single digits, as growth of residual margin converges with long-term growth of NBV (high single digits).

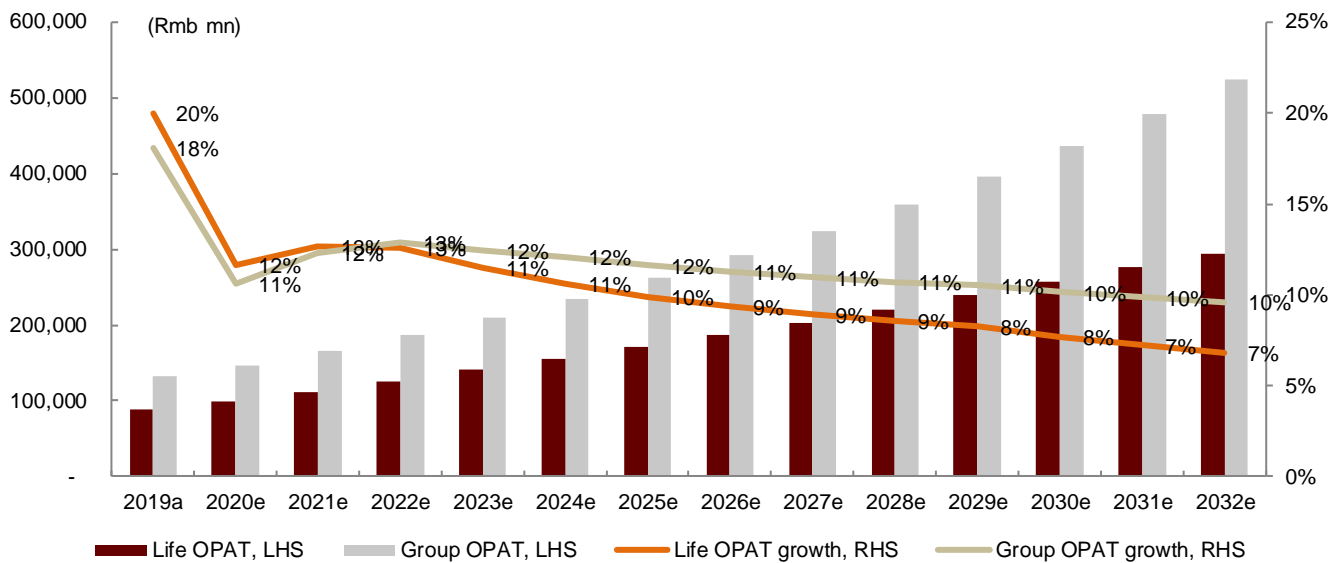


Figure 11: Long-term EV forecast for Ping An



Source: Corporate filings, CICC Research

Figure 12: Long-term operating profit forecast for Ping An



Source: Corporate filings, CICC Research



Figure 13: Revisions to key assumptions

Rmb unless otherwise noted	Old	New	% change
2020e EPS	9.2	8.2	-10.9%
2021e EPS	9.7	9.9	2.3%
2022e EPS	n.a.	10.4	n.a.
2020e BVPS	43.9	42.4	-3.1%
2021e BVPS	51.0	49.9	-2.3%
2022e BVPS	n.a.	56.9	n.a.
2020e EVPS	76	76	-0.8%
2021e EVPS	88	87	-0.9%
2022e EVPS	n.a.	99	n.a.
2020e NBVPS	4.2	4.2	0.0%
2021e NBVPS	4.5	4.5	0.0%
2022e NBVPS	n.a.	4.9	n.a.
2020e Combined ratio	95.8%	95.7%	-0.1ppt
2021e Combined ratio	95.8%	96.3%	0.5ppt
2022e Combined ratio	n.a.	96.1%	n.a.

Source: Corporate filings, CICC Research

Valuation: Expect slowing life NBV growth to pressure valuation, but downside is limited

We continue to value Ping An with SOTP, and check with P/OPAT valuation.

- ▶ SOTP: We updated the target valuation of various business lines. Major changes come from lower life NBV forecast for the next decade, and market-based valuation for OneConnect after its IPO. Given SOTP valuation, we cut Ping An H-share and A-share TPs by 11% and 10% to HK\$101 (implying 1.2x 2020e P/EV with 13% upside) and Rmb92 (implying 1.2x 2020e P/EV with 12% upside).
- ▶ P/OPAT: As China's life insurance market matures, we expect more investors to recognize operating profit as a base for valuation. We believe that operating profit is easier for investors to understand, and should help narrow the long-term valuation discount from insurance companies' complex business model and lack of transparency in EV-based valuation system. In addition, this should also make valuation of insurance stocks more comparable with non-financial stocks, and life insurance's high earnings growth could be factored in share prices. Ping An's P/OPAT has long been substantially lower than other sectors' P/Es (for details, please refer to our report *Systematic shift in valuation: Earnings and dividends to become key* published on November 7, 2019).



Figure 14: SOTP valuation for Ping An H-share

Business Segements	Valuation method	Valuation basis (2020e, RMB mn)	Shareholding	Discount	Valuation multiple	Valuation (RMB mn)	Value per share (HKD)	Proportion
Life insurance	P/EV	875,046	99.5%	0%	1.2	1,046,722	63.3	69.9%
P&C insurance	P/B	106,950	99.5%	0%	1.3	138,354	8.4	9.2%
Bank	MV	284,287	49.6%	0%		140,893	8.5	9.4%
Securities	P/B	34,805	41.0%	0%	1.5	21,384	1.3	1.4%
Trust	P/E	2,858	99.9%	0%	10	28,544	1.7	1.9%
Lufax Holding	MV	264,768	41.0%	70%		32,566	2.0	2.2%
Ping An Good Doctor	MV	73,595	39.3%	70%		8,670	0.5	0.6%
Healthcare Technology	MV	55,440	44.3%	70%		7,373	0.4	0.5%
Autohome	MV	64,368	52.2%	70%		10,084	0.6	0.7%
OneConnect	MV	31,831	44.3%	70%		4,230	0.3	0.3%
Others	P/E	5,912	100.0%	0%	10	59,124	3.6	3.9%
Total						1,497,944	90.5	100.0%
Group premium							12%	
Target price							101.0	

Source: Corporate filings, Wind Info, CICC Research

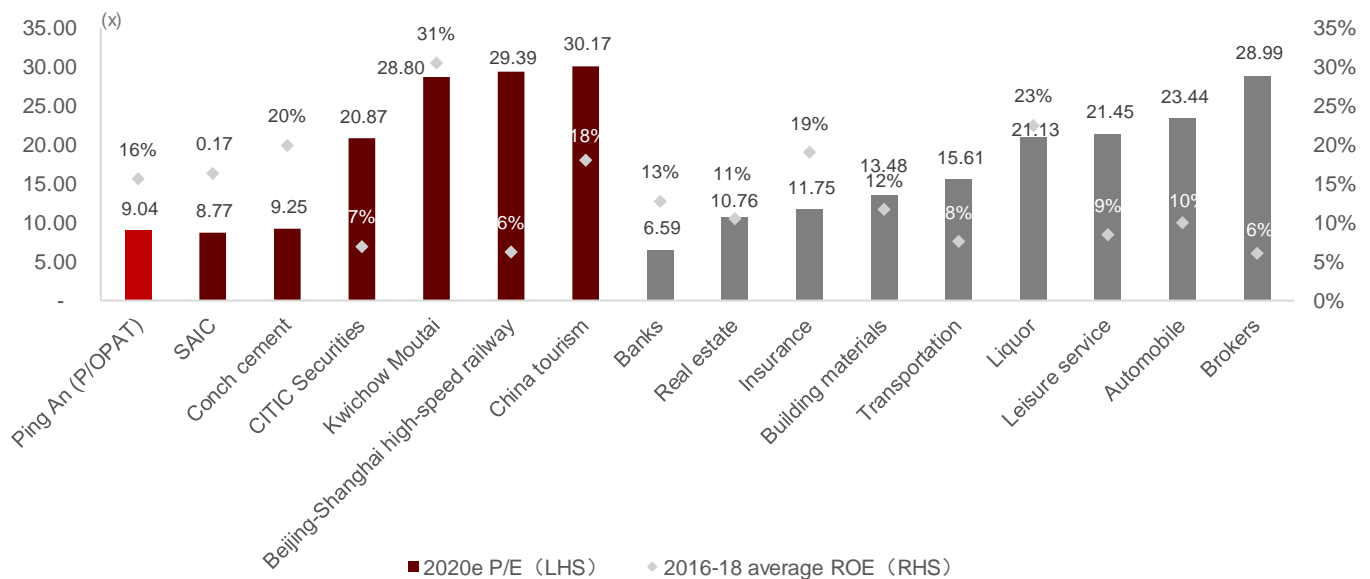
Figure 15: SOTP valuation for Ping An A-share

Business Segements	Valuation method	Valuation basis (2020e, RMB mn)	Shareholding	Discount	Valuation multiple	Valuation (RMB mn)	Value per share (RMB)	Proportion
Life insurance	P/EV	875,046	99.5%	0%	1.2	1,045,864	57.2	69.9%
P&C insurance	P/B	106,950	99.5%	0%	1.3	138,354	7.6	9.2%
Bank	MV	284,287	49.6%	0%		140,893	7.7	9.4%
Securities	P/B	34,805	41.0%	0%	1.5	21,384	1.2	1.4%
Trust	P/E	2,858	99.9%	0%	10	28,544	1.6	1.9%
Lufax Holding	MV	264,768	41.0%	70%		32,566	1.8	2.2%
Ping An Good Doctor	MV	73,595	39.3%	70%		8,670	0.5	0.6%
Healthcare Technology	MV	55,440	44.3%	70%		7,373	0.4	0.5%
Autohome	MV	64,368	52.2%	70%		10,084	0.6	0.7%
OneConnect	MV	31,831	44.3%	70%		4,230	0.2	0.3%
Others	P/E	5,912	100.0%	0%	10	59,124	3.2	3.9%
Total						1,497,086	81.9	100.0%
Group premium							12%	
Target price							92.0	

Source: Corporate filings, Wind Info, CICC Research

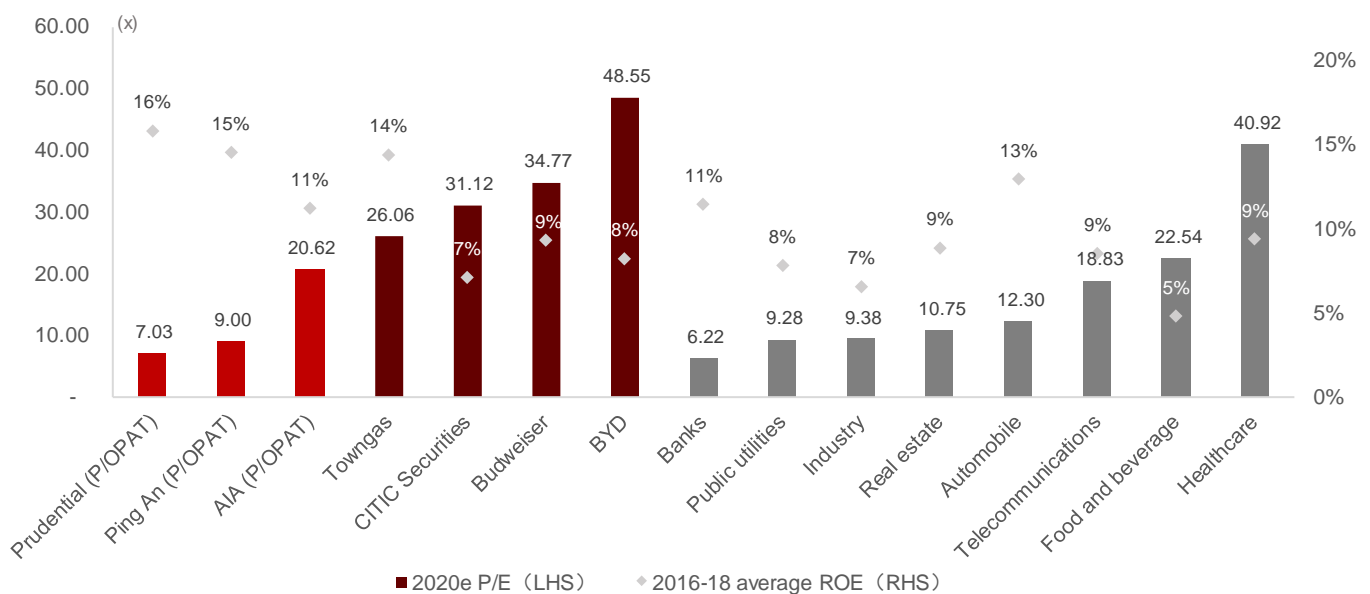


Figure 16: Ping An's valuation multiples are low compared to other large-cap A-share companies



Source: Corporate filings, Wind Info, CICC Research

Figure 17: H-share insurance sector's P/E is low compared to other sectors; Ping An's P/OPAT is lower than AIA



Source: Corporate filings, Wind Info, CICC Research

Recommendation: Valuation is unlikely to expand in 2020; rising dividend and share buyback to limit downside

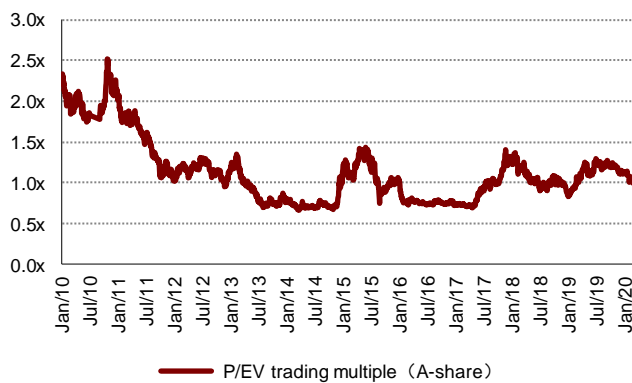
We expect growing EV and OPAT to bring 15% investment returns in Ping An in 2020. While slowing growth in financial indicators may pressure valuation expansion (P/EV and P/OPAT), we expect rising dividend and share buyback to limit downside in valuation. Maintain OUTPERFORM.



It is worth noting that rising dividends imply that shareholders may have higher cash return per share over the long term, good for expanding valuations (for details, please refer to our report *Systematic shift in valuation: Earnings and dividends to become key* published on November 7, 2019). We expect that while share buyback and long-term service plan can support valuations in the near term, they are unlikely to directly boost valuations because they cannot increase the long-term cash return per share for shareholders (shares repurchased are used for long-term service plans and management shareholding plans, thus will not reduce equity base).

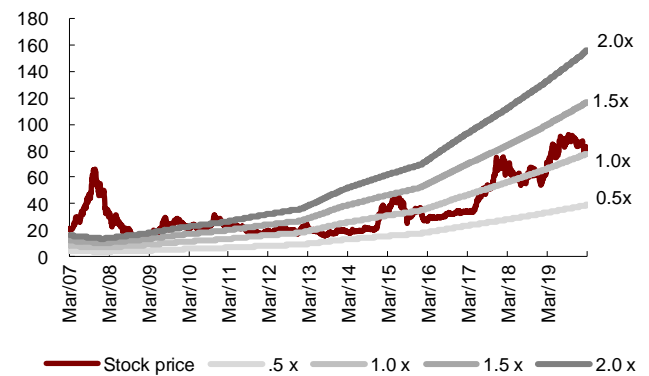
Although growth of life insurance in 2020 may miss expectations, we remain upbeat about Ping An's long-term investment value. We think Ping An is a Chinese insurer with both good corporate governance and good management, and is a long-term investment target with few alternatives for global investors. We see visible returns from Ping An's double-digit EV and operating profit growth and increasing dividends in 2020e-2022e.

Figure 18: Ping An's A-shares are trading at 1.1x 2020e P/EV



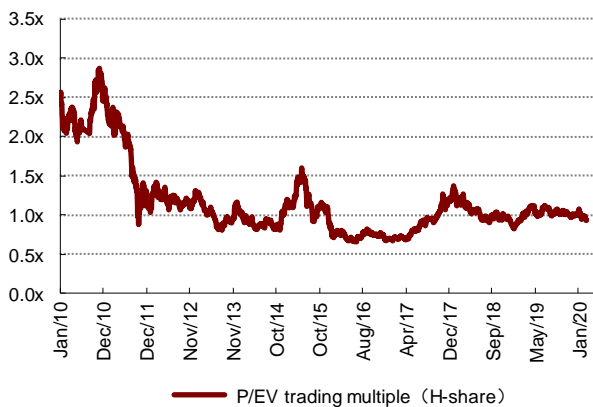
Source: Corporate filings, Wind Info, CICC Research

Figure 19: Ping An's A-shares are trading at 1.1x P/EV on average since 2010



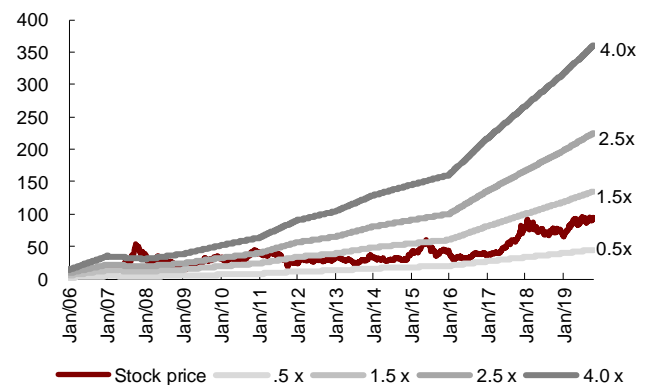
Source: Corporate filings, Wind Info, CICC Research

Figure 20: Ping An's H-shares are trading at 1.0x 2020e P/EV



Source: Corporate filings, Wind Info, CICC Research

Figure 21: Ping An's H-shares are trading at 1.2x P/EV on average since 2010



Source: Corporate filings, Wind Info, CICC Research



Figure 22: Valuations of comparable companies

Company	Currency	Rating	Mkt cap USD mn	Price on 05 Mar 20	Target Price	TP implied 2020e P/EV	Potential Return	P/EV 2019e	2020e	3-yr Avg ROEV	P/BV 2019e	2020e	3-yr Avg ROE	P/E (P/OPAT) 2019e	2020e	Div yield 2019e
AIA	HKD	Outperform	120,346	77.7	101.0	2.2	30%	1.9x	1.7x	16.1%	2.7x	2.3x	15.8%	20.6x	18.4x	1.7%
Ping An - H	HKD	Outperform	85,027	89.1	101.0	1.2	13%	1.2x	1.0x	18.1%	2.2x	1.8x	19.2%	10.0x	9.0x	2.3%
China Life - H	HKD	Outperform	17,706	18.6	29.0	0.7	56%	0.5x	0.4x	15.9%	1.2x	1.1x	14.6%	7.9x	8.4x	4.4%
China Taiping	HKD	Outperform	7,520	16.3	26.0	0.5	59%	0.4x	0.3x	15.1%	0.8x	0.7x	12.2%	6.7x	8.4x	2.2%
New China - H	HKD	Outperform	4,004	30.2	46.0	0.5	52%	0.4x	0.4x	16.4%	1.1x	0.9x	15.0%	7.0x	6.8x	4.3%
PICC P&C	HKD	Outperform	7,448	8.4	12.0	1.3	43%	n.a.	n.a.	n.a.	1.0x	0.9x	14.0%	7.2x	7.9x	5.4%
China Re	HKD	Neutral	933	1.1	1.4	0.5	28%	0.4x	0.4x	9.3%	0.5x	0.4x	8.0%	8.5x	7.0x	4.1%
Ping An - A	RMB	Outperform	131,346	82.5	92.0	1.2	12%	1.3x	1.1x	18.1%	2.2x	1.9x	19.2%	10.2x	9.2x	2.3%
China Life - A	RMB	Outperform	94,870	31.0	38.0	1.0	23%	0.9x	0.8x	15.9%	2.3x	2.0x	14.6%	14.8x	15.7x	2.4%
New China - A	RMB	Outperform	14,451	47.1	60.0	0.8	27%	0.7x	0.6x	16.4%	1.9x	1.6x	15.0%	12.2x	11.8x	2.5%
China Sector-H	USD		123,507			0.7	45%	0.6x	0.5x	16.4%	1.3x	1.1x	15.3%	7.9x	8.1x	3.3%
China Sector-A	USD		309,945			1.0	21%	1.0x	0.8x	16.8%	2.1x	1.9x	16.3%	12.4x	12.2x	2.4%
HK & China	USD		523,863			1.0	34%	0.9x	0.8x	16.5%	1.8x	1.5x	15.7%	11.2x	11.0x	2.8%

Note: Mkt cap represents free floating market capitalization.

Note: P/OPAT for Ping An and AIA; All the companies are covered by CICC; P/EV including impact of dividend, thus different from cover page

Source: Corporate filings, Wind Info, CICC Research



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