

COMPANY RESULTS

Ping An Insurance Group (2318 HK)

3Q24: Bountiful Harvest After Prolonged Dry Spell.

Ping An delivered robust 3Q24 results with OPAT rising 22% yoy, driven by a strong performance in the life and P&C segments. The asset management business turned red due to impairment but reversal is possible if China's economy improves further. NBV grew 1.1x in 3Q24, mainly supported by strong life premium growth and margin expansion. Although share price rose 30% mom, the strong earnings turnaround could support further valuation recovery. Maintain BUY. Target price: HK\$69.00.

3Q24 RESULTS

Year to 31 Dec (Rmbm)	3Q24	3Q23	yoy change %	9M24	yoy change %
Group OPAT	35,336	28,931	22.1	113,818	5.5
L&H insurance	28,044	26,022	7.8	82,701	3.0
P&C insurance	4,014	723	455.2	13,923	39.7
Banking	8,028	8,258	-2.8	23,027	0.2
Asset management	-3,612	-5,756	n.a.	-2,316	n.a.
Technology	78	528	-85.2	369	-83.7
Group net profit	44,563	17,734	151.3	119,182	36.1
First-year premium (FYP)	46,406	30,863	50.4	138,624	-4.2
New business value (NBV)	12,840	6,105	110.3	35,160	34.1
Key Ratios (%)	3Q24	3Q23	yoy change (ppt)	9M24	yoy change (ppt)
NBV margin	27.7	19.8	7.9	25.4	7.3
Combined ratio (P&C)	97.8	101.8	-4.0	97.8	-1.5
Net interest margin (Bank)	1.87	2.30	-0.43	1.93	-0.54

Source: Ping An, UOB Kay Hian

RESULTS

- Strong beat.** Ping An Insurance Group's (Ping An) operating profit after tax (OPAT) surged 22.1% yoy to Rmb35.3b in 3Q24, bringing 9M24 OPAT to Rmb113.8b, accounting for 80.7% of our full-year estimates. The OPAT of core businesses (life business, property & casualty (P&C) and banking) grew 14.5% yoy to Rmb40.1b. OPAT of the asset management business turned red again in 3Q24 to a Rmb3.6b loss due to one-off impairment.
- Life business: Impressive broad-based growth across all indicators.** Ping An's new business value (NBV) doubled to Rmb12.8b in 3Q24, mainly attributed by strong premium income growth of 33.7% in 3Q24, arising from the buying spree before the suspension of life insurance products with a 3.0% of guaranteed return rate. NBV margin based on first-year premium expanded 7.9ppt yoy to 27.7%, thanks to: a) a favourable shift in product mix, and b) pricing interest rate cut. NBV of agency/bancassurance channel also rose 31.6% and 68.5% yoy respectively in 9M24. Agency headcounts recorded its first yoy growth since the kickstart of life reform in 2018 and Ping An now has 362,000 life agents as of 3Q24 (+0.5% yoy/+6.5% qoq).

KEY FINANCIALS

Year to 31 Dec (Rmbm)	2022	2023	2024F	2025F	2026F
Insurance revenue (L&H)	91,710	88,587	86,983	83,728	81,507
Insurance revenue (P&C)	294,222	313,458	317,644	327,357	338,567
Banking revenue	179,895	164,699	146,452	166,502	179,225
OPAT attributable to parent	146,895	117,988	141,987	146,369	150,062
Net profit attributable to parent	111,008	85,665	138,640	143,384	145,866
EPS (Fen)	609.7	470.4	761.3	787.4	801.0
PE (x)	8.8	11.4	7.0	6.8	6.7
P/EV (x)	0.7	0.7	0.6	0.6	0.6
Dividend yield (%)	4.9	5.0	5.0	5.1	5.2
Combined ratio (%)	99.6	100.7	98.2	98.3	98.3
NBM as % of FYP (%)	24.2	18.7	25.8	26.9	28.0
ROE (%)	13.2	9.7	14.7	13.8	12.8
Consensus net profit	-	-	125,017	129,707	138,974
UOBKH/Consensus (x)	-	-	1.11	1.11	1.05

Source: Ping An, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	HK\$49.05
Target Price	HK\$69.00
Upside	+40.7%
(Previous TP)	HK\$64.00

COMPANY DESCRIPTION

Ping An Insurance Group is one of the largest China Insurance companies. It provides products and services through its L&H insurance, property & casualty insurance, banking, asset management and technology segments.

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	2318 HK
Shares issued (m):	7,447.6
Market cap (HK\$m):	1,034,543.7
Market cap (US\$m):	133,101.4
3-mth avg daily t'over (US\$m):	406.9

Price Performance (%)

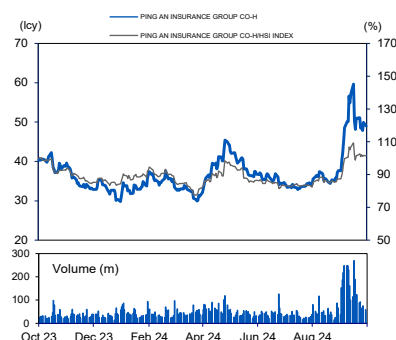
52-week high/low	HK\$59.70/HK\$29.55			
1mth	3mth	6mth	1yr	YTD
30.3	46.9	68.7	29.6	21.7

Major Shareholders

Shenzhen Investment Holdings Co Ltd	5.3
Central Huijin Asset Management Ltd.	2.6
-	-

FY23 NAV/Share (Rmb)	52.54
FY23 Solvency Ratio (%)	210.1

PRICE CHART



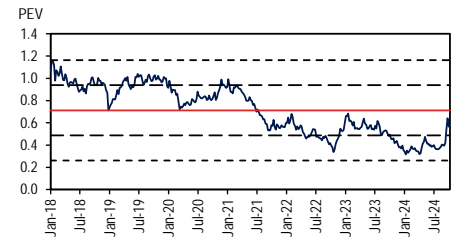
Source: Bloomberg

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- Life business' OPAT growth accelerated to 7.8% yoy 3Q24**, supported by: a) a 13.9% yoy growth in net investment results on better investment performance and growing insurance funds, and b) continuous improvement in operating variances (+13.9% yoy). The core/comprehensive solvency ratio of Ping An Life contracted by 4.2ppt/8.3ppt qoq to 119.4%/200.5% respectively and management attributed the decline to a Rmb24b dividend payout.
- P&C results were a strong beat on better CoR and investment income.** Ping An's P&C business was the main driver of the company's OPAT growth in 3Q24 with significant OPAT surge in 3Q24 (+455.2% yoy). The outstanding profit growth was underpinned by: a) a 5.6% yoy growth in insurance revenue, b) 4.0ppt yoy improvement in combined ratio (CoR) to 97.8% in 3Q24 as the guarantee insurance business turned profitable since 2Q24, and c) Rmb2b increase in investment income amid the stock market rally. Auto CoR deteriorated 0.8ppt yoy to 98.2% due to natural disasters and higher cost of debt under IFRS 17.
- Banking: Earnings under pressure with sluggish revenue and rising credit risk.** Ping An Bank (PAB) registered a lower revenue decline of 11.7% yoy in 3Q24 (vs 1H24: -12.6% yoy) in light of easing NIM contraction pressure and narrowed fee income decline. However, the rising asset quality pressure spurred PAB to further cut down its credit cost, leading to a 2.8% yoy earnings decline. The non-performing loan (NPL) ratio eased 1bp qoq to 1.06% due to higher NPL disposal. However, special mention loans rose 12bp qoq to 1.97% and the new NPL formation rate remained elevated at 1.62% in 3Q24, well-above the credit cost of 1.05%, leading to a 13ppt decline in provision coverage ratio.

P/EV BAND



Source: Bloomberg, UOB Kay Hian

STOCK IMPACT

- Solid investment performance.** Net investment yield fell 0.2ppt yoy to 3.3% but the comprehensive investment yield rose 1.3ppt yoy to 5.0%, above its 4.5% long-term investment return assumptions due to improved equity investment performance. Additionally, Ping An continues to de-risk its investment book by trimming its non-standard debt and property exposure to 7.1% and 3.9% respectively (1H24:7.4%/4.0%). Management explained that Ping An's net profit is less volatile than its peers who have achieved 60-185% yoy earnings growth in 9M24 (vs Ping An of 36.1%) as Ping An has more equity investments classified at fair value through other comprehensive income.
- Insurance sales outlook.** Management noted that September and October are the traditionally weaker months. However, the insurer will maintain its product strategy to focus on participating products and traditional protection products, and increase agency training in 4Q24 to prepare for the jumpstart programme next year.
- Comments on dividend policy.** Management reiterated that the dividend policy is linked to OPAT and it also mentioned that shareholders prefer a cash dividend when it was asked about the PBOC's relending programme for share repurchase. Management highlights that recovery of impairment in the asset management segment is possible if China macro continues to improve. This is positive to OPAT and DPS growth.

EARNINGS REVISION/RISK

- We lift our 2024-26 OPAT forecasts by 6.6%/3.4%/1.8% respectively** to reflect: a) stronger OPAT growth in the life business, and b) improved underwriting and investment results in the P&C segment, partially offsetting the sluggish earnings from PAB.
- We increase our 2024-26 NBV estimates by 20.7%/16.1%/13.1% respectively** due to: a) restored agency headcount growth, b) stronger NBV growth in bancassurance channel, and c) NBV margin improvement on better product mix.

VALUATION/RECOMMENDATION

- Maintain BUY with a higher target price of HK\$69.00.** Our target price is derived from the SOTP valuation method, which implies 0.77x of 2024 group EV, 0.2SD above historical mean. Ping An still trades below its historical average P/EV of 0.55x (-0.5 SD) with a 5.0% dividend yield, compared with its domestic peers, who are now priced significantly above their historical mean level.

PROFIT & LOSS

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Insurance revenue (L&H)	88,587	86,983	83,728	81,507
Insurance revenue (P&C)	313,458	317,644	327,357	338,567
Claims and insurance benefits	-315,541	-311,790	-321,937	-332,826
Underwriting profit/(loss)	100,304	106,376	102,217	100,880
Investment income	37,905	43,945	51,436	56,223
Interest inc. (Banking ops)	117,991	99,839	119,547	132,838
Other income	45,293	43,919	44,424	43,628
G&A exp of non-insurance ops	-105,263	-88,121	-106,162	-115,854
OPAT	117,988	141,987	146,369	150,062
Net profit	85,665	138,640	143,384	145,866
NBV	39,261	40,134	44,496	49,131
CSM Base	768,440	742,615	714,449	686,294

OPERATING RATIO

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Capital-related				
Solvency ratio	208.0	210.1	212.2	214.3
Shareholders' funds/total assets	7.8	8.0	8.2	8.3
Total Assets/equity (x)	12.9	12.5	12.2	12.0
Liquidity				
Liquid assets/short-term liabilities	98.1	104.3	111.1	119.3
Liquid assets/total assets	41.1	41.0	41.3	41.4
Valuation (%)				
P/EV (x)	0.7	0.6	0.6	0.6
Adjusted P/E (x)	11.4	7.0	6.8	6.7
Dividend Yield	5.0	5.0	5.1	5.2
Payout ratio	51.7	32.3	31.6	31.9

Footnotes: FYP: first year premium; EV: embedded value; NB: new business; NBM: new business margin; APE: annual premium equivalent; CSM: contractual service margin

BALANCE SHEET

Year to 31 Dec (Rmbm)	2023	2024F	2025F	2026F
Cash	1,075,053	1,195,129	1,280,344	1,359,021
Loans and advances	3,318,122	3,475,659	3,753,712	4,054,009
Investments (equity & fixed inc)	6,377,233	6,803,903	7,277,558	7,793,159
Reinsurers' share of ins liabilities	22,218	24,440	26,884	29,572
Associates & JVs	258,877	284,765	313,241	344,565
Fixed assets (incl prop)	171,807	182,209	185,999	194,276
Other assets	360,159	397,362	439,377	486,894
Total assets	11,583,469	12,363,466	13,277,115	14,261,496
Assets sold (repo agreement)	241,803	265,983	292,582	307,211
Customer deposits	3,534,539	3,475,164	3,488,522	3,456,186
Insurance payables	105	105	106	107
Insurance contract liabilities	4,159,801	4,492,585	4,851,992	5,240,151
Subordinated debts	964,007	1,224,289	1,554,847	1,974,656
Other liabilities	1,454,250	1,547,897	1,597,642	1,655,949
Total liabilities	10,354,505	11,006,023	11,785,690	12,634,260
Shareholders' funds	899,011	992,996	1,091,007	1,190,355
Minority interest - accumulated	329,953	364,447	400,419	436,881
Total equity & liabilities	11,583,469	12,465,691	13,387,519	14,380,731
L&H EV	830,974	905,922	989,865	1,078,265
Group EV	1,390,126	1,502,461	1,624,739	1,752,324

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Growth				
Gross premiums, yoy chg	7.5	6.9	6.6	6.6
FYP, yoy chg	44.6	7.1	7.1	7.1
NBV, yoy chg	36.2	2.2	10.9	10.4
Investment income, yoy chg	34.5	82.6	4.2	7.0
Net profit, yoy chg	-22.8	61.8	3.4	1.7
Profitability				
Combined ratio (P&C)	100.7	98.2	98.3	98.3
Net investment yield	4.2	4.0	4.1	4.1
Total investment yield	3.0	3.5	3.9	3.9
NBM as % of FYP	23.7	25.8	26.9	28.0
Reported ROE	9.7	14.7	13.8	12.8

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