

ZhongAn (6060 HK)

Placement may cause limited downside despite short-term volatilities

BUY (Maintain)

ZhongAn Online initiated its first [placement](#) since listing on 26 June (Thu) pre-market, with the offering price of HK\$18.25 per share, implying an 8.5% discount compared to the last closing price of HK\$19.94. An addition of 215mn new shares will be issued to no fewer than six placees with a lock-up period of 90 days after closing on 4 July, raising the total number of shares outstanding post placement to 1,685mn. The aggregate net proceeds amounted to HK\$3,896.3mn (approx. US\$496mn), of which the use will be focusing on 1) supplementing the Group's capital position, 2) supporting investment in fintech innovations and 3) for general corporate purposes. We think the placement is beyond market expectations, yet could lead to limited downside to share price as it provides the company with greater flexibility in capital injection to enhance domestic P&C business's solvency ratio and investments in AI-empowered infrastructure build-up. **We maintain our FY25E earnings forecast at RMB1.0bn and the placement could result in 6.8% EPS dilution in FY25E, based on our estimate. Maintain BUY with TP at HK\$20.4.**

■ Use of proceeds will focus on core P&C insurance and AI infrastructure.

The company organized a closed-door meeting pre-market on 26 Jun (Thu), emphasizing that the use of proceeds will mainly focus on the development of domestic P&C insurance, in particular health and auto ecosystems, and AI-empowered operational and compliance infrastructure. We keep our forecast of health/auto premium growth at 20%/22% in FY25E, driven by resilient demands for Zhong Min Bao Mid-to-High-End medical insurance and license obtained for providing compulsory auto insurance. By 1Q25, the core and comprehensive solvency ratios of ZhongAn P&C were 214.3%/220.4%, down 6.8pct/7.1pct QoQ, still well above the regulatory baseline of 50%/100%. However, mgmt. did not guide on stablecoin-related investments nor capital support to ZA Bank this time, which fell short of market expectation.

■ Limited downside risks despite short-term volatilities. ZhongAn's share price spiked 64% from 21 May, the date on which the HK Legislative Council (LegCo) passed the Stablecoins Bill. Driven by improving market sentiment, stablecoin regulatory clarity, and the spill-over effect of Circle's (CRCL US, NR) listing, the stock price has then fluctuated within a range of HK\$17.5-HK\$21.1, implying 1.08x-1.30x FY25E P/BV. **The placement could lead to limited downside risks in our view, given the company's strengthened capital reserve for core insurance business could accelerate growth and thus enhance earnings stability.** Domestic P&C insurance accounts for 87% of Group total valuation in our model, and the next key catalyst will be 1H earnings release.

■ Maintain BUY with TP at HK\$20.4. The stock is trading at 1.3x P/B as of 25 Jun. We are upbeat on the insurer's earnings outlook in 1H25E underpinned by robust health and auto premium growth and improved combined ratio given a benign claims environment. In addition, ZA Bank's breakeven can drive the segment re-rating to 3x-5x P/B over the long run, with reference to the reputable global digital banking peers ([link](#)). We maintain our projection of HK\$1.91mn net profit for ZA Bank in FY25E and value it at 2.3x FY25E P/B. Maintain BUY with TP at HK\$20.4 based on SOTP, which implies 1.36x FY25E P/B.

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	3,845	603	1,008	1,162	1,363
EPS (Reported)(RMB)	2.77	0.41	0.64	0.69	0.81
Consensus EPS (RMB)	n.a	n.a	0.66	0.78	0.92
Combined ratio (%)	95.2	96.9	96.9	96.8	96.7
P/B (x)	1.3	1.3	1.3	1.2	1.2
ROE (%)	22.8	2.9	4.7	5.1	5.7

Source: Company data, Bloomberg, CMBIGM estimates

Target Price HK\$20.40
Up/Downside 9.6%
Current Price HK\$18.62

China Insurance

Nika MA

(852) 3900 0805

nikama@cmbi.com.hk

Stock Data

Mkt Cap (HK\$ mn)	31,451.6
Avg 3 mths t/o (HK\$ mn)	759.2
52w High/Low (HK\$)	21.10/9.41
Total Issued Shares (mn)	1577.3

Source: FactSet

Shareholding Structure

Ping An Insurance Group	10.6%
Ant Group Co., Ltd.	7.6%

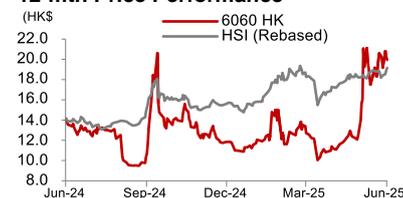
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	60.3%	52.5%
3-mth	57.0%	49.8%
6-mth	67.0%	37.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor:

PricewaterhouseCoopers

Related reports:

- ZhongAn (6060 HK) - ZhongAn (6060 HK) - HK Stablecoins outlook opens up the headroom for valuation re-rating; uplift TP to HK\$20.4, Jun 3 2025 ([link](#))
- ZhongAn (6060 HK) - Tech export out of the red; ZA Bank on track for breakeven, 24 Mar 2025 ([link](#))
- ZhongAn (6060 HK) - Digital lifestyle leading growth; ZA Bank and technology export breakeven on track, 28 Mar 2024 ([link](#))
- ZhongAn (6060 HK) - Strong investment and UW profits drive 1H23 earnings turnaround, Aug 28, 2023 ([link](#))

Key risks: worse-off expense controls and claims management; slower-than-expected license approval of stablecoin issuers; ZA Bank's profitability falling short of expectations; prolonged low interest rate environment, etc.

ZhongAn Online P&C's Placement of new H shares

The Placing Agreement

Placing date	26/6/2025	
Settlement date	4/7/2025	
Placing shares (mn)	215.00	
Existing no. of issued H shares (mn)	1,419.81	15.14%
Existing no. of total issued shares (mn)	1,469.81	14.63%
Offering price	18.25	
Last close (HK\$, 25/6/2025)	19.94	
Discount (%) vs last close	-8.5%	
Aggregate gross proceeds (HK\$ mn)	3,924	
Aggregate gross proceeds (US\$ mn)	500	
Aggregate net proceeds (HK\$ mn)	3,896	
Aggregate net proceeds (US\$ mn)	496	

Source: Company data, CMBIGM

Change in shareholding structure

Prior to the Placing:	#	%
Total issued shares (mn)	1,470	
Unlisted domestic shares (mn)	50	3.40%
Listed H shares (mn):	1,420	96.60%
Core connected person(s)	231	15.72%
Public H shares shareholders	1,189	80.88%
Post-placing assuming all shares are placed:	#	%
Total issued shares (mn)	1,685	
Unlisted domestic share (mn)	50	2.97%
Listed H shares (mn):	1,635	97.03%
Placees	215	12.76%
Core connected person	231	13.71%
Public H shares shareholders	1,189	70.56%

Source: Company data, CMBIGM

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Insurance revenue	22,189	27,535	31,744	36,461	40,395	44,641
Insurance service expenses	(20,673)	(26,089)	(30,690)	(35,285)	(39,049)	(43,100)
Net expenses from reinsurance contracts held	(99)	(109)	(14)	(17)	(19)	(21)
Insurance service results	1,417	1,337	1,040	1,159	1,327	1,519
Net finance (expenses)/income from insurance contracts	(145)	(52)	(52)	(59)	(66)	(73)
Net finance (expenses)/income from reinsurance contracts	(10)	8	2	0	0	0
Net investment income	1,688	4,136	437	1,231	1,307	1,406
Other gains/(losses) from changes in fair value	(1,803)	768	1,024	13	0	0
Net investment results	(115)	4,904	1,460	1,244	1,307	1,406
Other income	1,129	1,135	1,032	1,142	1,253	1,377
Other expenses	(2,966)	(2,670)	(1,952)	(2,023)	(2,164)	(2,318)
Foreign exchange gains/losses	(549)	(95)	(99)	(99)	(99)	(99)
Other results	(2,814)	(2,094)	(1,466)	(1,404)	(1,413)	(1,423)
Profit before tax	(1,683)	4,010	854	1,097	1,271	1,497
Income taxes	298	(165)	(251)	(89)	(109)	(135)
Net profit	(1,384)	3,845	603	1,008	1,162	1,363
Net profit attributable to shareholders	(1,112)	4,078	603	1,008	1,162	1,363

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
ASSETS						
Cash and amount due from banks and other financial institutions	3,526	1,576	1,467	2,972	4,431	6,420
Intangible assets	662	527	619	619	619	619
Investments in associates and joint ventures	554	5,297	5,591	5,591	5,591	5,591
Property	434	377	798	798	798	798
Reinsurance contract assets	595	762	710	726	756	800
At amortized cost:	1,431	1,452	1,051	1,105	1,162	1,222
At fair value through profit or loss:	21,863	22,252	20,706	21,930	23,224	24,593
Loans and advances to customers	4,367	0	0	0	0	0
Other assets	1,702	2,104	2,692	2,720	2,749	2,780
Cash and cash equivalents	3,526	1,576	1,467	2,972	4,431	6,420
Total assets	47,649	42,864	45,285	47,072	48,961	50,957
LIABILITIES						
Insurance contract liabilities	4,029	3,335	5,000	5,500	6,050	6,655
Borrowings	6,805	6,900	6,993	7,133	7,275	7,421
Obligations under repurchase agreements	6,992	8,491	7,931	8,724	9,597	10,557
Current tax liabilities	0	27	18	18	18	18
Lease liabilities	374	287	123	135	149	164
Other liabilities	11,819	3,750	4,024	3,413	2,562	1,471
Total liabilities	30,034	22,790	24,358	24,923	25,650	26,284
EQUITIES						
Share capital	1,470	1,470	1,470	1,685	1,685	1,685
Reserves	16,473	16,732	16,996	16,996	16,996	16,996
Retained profits	(2,176)	1,871	2,461	3,468	4,630	5,993
Total shareholders' equity	15,766	20,073	20,926	22,149	23,311	24,673
Non-controlling interests	1,849	0	0	0	0	0
Total equity	17,615	20,073	20,926	22,149	23,311	24,673
Total liabilities & equity	47,649	42,864	45,285	47,072	48,961	50,957

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
EPS (Reported)	(0.76)	2.77	0.41	0.64	0.69	0.81
Consensus EPS	n.a	n.a	n.a	0.66	0.78	0.92
No. of shares basic	1,470	1,470	1,470	1,685	1,685	1,685
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Return on equity (ROE)	n.a	22.8%	2.9%	4.7%	5.1%	5.7%
Combined ratio	94.2%	95.2%	96.9%	96.9%	96.8%	96.7%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/B(x)	1.7	1.3	1.3	1.3	1.2	1.2

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: share price data quoted by market close on 25/6/2025.

Disclosures & Disclaimers

Analyst Certification

The research analyst who is primary responsible for the content of this research report, in whole or in part, certifies that with respect to the securities or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about the subject securities or issuer; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific views expressed by that analyst in this report.

Besides, the analyst confirms that neither the analyst nor his/her associates (as defined in the code of conduct issued by The Hong Kong Securities and Futures Commission) (1) have dealt in or traded in the stock(s) covered in this research report within 30 calendar days prior to the date of issue of this report; (2) will deal in or trade in the stock(s) covered in this research report 3 business days after the date of issue of this report; (3) serve as an officer of any of the Hong Kong listed companies covered in this report; and (4) have any financial interests in the Hong Kong listed companies covered in this report.

CMBIGM Ratings

BUY : Stock with potential return of over 15% over next 12 months
HOLD : Stock with potential return of +15% to -10% over next 12 months
SELL : Stock with potential loss of over 10% over next 12 months
NOT RATED : Stock is not rated by CMBIGM

OUTPERFORM : Industry expected to outperform the relevant broad market benchmark over next 12 months
MARKET-PERFORM : Industry expected to perform in-line with the relevant broad market benchmark over next 12 months
UNDERPERFORM : Industry expected to underperform the relevant broad market benchmark over next 12 months

CMB International Global Markets Limited

Address: 45/F, Champion Tower, 3 Garden Road, Hong Kong, Tel: (852) 3900 0888 Fax: (852) 3900 0800

CMB International Global Markets Limited ("CMBIGM") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIGM does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIGM recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIGM, solely for the purpose of supplying information to the clients of CMBIGM or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIGM nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIGM has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIGM provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIGM may issue other publications having information and/ or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIGM may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIGM may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIGM does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIGM may have a conflict of interest that could affect the objectivity of this report and CMBIGM will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIGM.

Additional information on recommended securities is available upon request.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIGM.

For recipients of this document in the United States

CMBIGM is not a registered broker-dealer in the United States. As a result, CMBIGM is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.