

AIA Group Ltd. (1299 HK)

FY24 preview: OPAT back to growth trajectory; resilient VNB despite modest slowdown in 2H

AIA's share price underperformed the market and CN insurers despite resilient VNB growth and a solid financial position underpinning attractive shareholder returns. The stock price fell 17.3% in FY24, lagging behind key benchmarks as HSI (+18%), CSI 300 (+15%) and FTSE APAC ex-Japan (+7%) ([Fig.1](#)). We attribute the market's under-appreciation of this regional top-player to 1) sustainable VNB growth in long run, and 2) whether such VNB momentum across segments could translate into a resilient uptrend in earnings, cash and shareholder return, incl. both dividends and buybacks. **We expect AIA's full-year VNB to rise 20% on a CER* basis (or up 18% AER*).** Group OPAT and EV could grow 7%/6% YoY in FY24, back to a healthy growth trajectory. Total shareholder return could rise to ~8% in FY24, with 3% on dividend and ~5% return on buybacks. On Feb 12, AIA finished the US\$12bn buyback program (initiated US\$10bn in Mar 2022 and added US\$2bn in Apr 2024), and **investors expect a new buyback to be announced in mid-Mar 2025, possibly during the FY24 earnings release.** We see potential fund inflows could be catalysed on sufficient shareholder returns. Maintain BUY, with TP unchanged at HK\$94.0 based on appraisal value approach, implying 1.6x FY25E P/EV.

■ **Full-year VNB up 20% despite a 2H slowdown by quarters.** We expect VNB of US\$4.77bn in FY24, up 20% on a CER basis (or up 18% AER), with 2H growth at 16% (CER), down from a 25% (CER) increase in 1H24. 4Q VNB could rise 14% YoY (CER), slightly down from 16% growth in 3Q24. We expect to see double-digit VNB growth in HK, mainland China and Other markets in 2H24, whereas the ASEAN markets, i.e., Thailand and Singapore, in face of a high base and weakening demands given the repricing of medical insurance product, could end up with single-digit growth in 2H24. AIA HK and AIA China should continue to be two key drivers of total VNB, which we expect to see a rise of 24%/24% (CER) in FY24, or 21%/19% (CER) in 2H24. For Other markets, TATA AIA Life (a JV in India) and Vietnam could return to positive growth, and we estimate the segment's VNB up 11%/21% (CER) in FY24/2H24.

■ **IFRS OPAT up 7% in FY24 underpins DPS to grow 11% YoY.** Group OPAT would return to an uptrend by rising 7% YoY (CER) in FY24, supported by a better insurance service result and improved investment. With accumulated profitable new business, we expect CSM release, the core contributor of OPAT, to grow 7.2% YoY in FY24, driving insurance revenue up 10% YoY. 2H24 equity returns outperformed 1H across major markets, with CN/SGN/HK/TH stock indices rising 14%/14%/13%/8% in 2H24 (vs 1H: +1%/3%/4%/-9%, [Fig.1](#)). Bond yields were mixed yet showed double-digit declines in 2H for most operating markets ([Fig.2](#)). OPAT per share would be up 10% YoY, thanks to the share buybacks. FY24 DPS would rise 11% YoY to US\$0.23, implying a 38.5% payout (+0.2pct).

■ **Shareholder return remains a key focus of mgmt. actions.** AIA finished the US\$12bn share buyback program on Feb 12, with a total of 1,409mn shares repurchased. We see the early finish of buyback (US\$2bn announced in Apr 2024 was set to finish in Apr 2025) augur well for the insurer's priority on shareholder returns, and arouse market expectation for a new program in mid-Mar. We expect >US\$3.5bn was used for buybacks in FY24, translating to ~5% S/H returns. Including dividends, we estimate total shareholder return will reach ~8% in FY24. Underlying free surplus generation (UFSG) of US\$6.7bn, up 11% YoY, could enhance the Group's capital position for incremental S/H paybacks. We factor in another US\$2bn buyback to be completed within one year in our model.

■ **Valuation.** The stock is trading at 1.0x FY25E P/EV, near the historical trough (vs 3yr/5yr avg. at 1.3x/1.5x, [Fig.4](#)), with FY24-26E operating ROE at above 16%. The stock trading was beta-driven, and yet **we think investors could be more convinced if long-term value growth were to sustain, and translate into solid capital and financial metrics to make room for further buybacks.** Maintain BUY, with TP at HK\$94.0, implying 1.6x FY25E P/EV and 9.0x NBM*.

BUY (Maintain)

Target Price HK\$94.00
Up/Downside 62.1%
Current Price HK\$58.00

Insurance (Regional)

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Stock Data

Mkt Cap (HK\$ mn)	627,515.0
Avg 3 mths t/o (HK\$ mn)	1,764.3
52w High/Low (HK\$)	74.55/46.00
Total Issued Shares (mn)	11399.0

Source: FactSet

Shareholding Structure

Bank of New York Mellon Corp.	10.7%
JPMorgan Chase & Co.	7.7%

Source: HKEx

Share Performance

	Absolute	Relative
1-mth	0.4%	-11.4%
3-mth	-4.1%	-16.3%
6-mth	5.7%	-18.0%

Source: FactSet

12-mth Price Performance



Source: FactSet

Related Reports:

1. AIA Group (1299 HK) - FY23 VNB +33% in line; strong MCV momentum sustained to 1-2M24, Mar 18, 2024 ([link](#))
2. AIA Group (1299 HK) - AIA Group Ltd. (1299 HK) - 1H24 VNB beat with margin recovery; expect total >US\$7bn cash returns to shareholders in FY24, Aug 26, 2024 ([link](#))

Earnings Summary

(YE 31 Dec)	FY22A	FY23A	FY24E	FY25E	FY26E
OPAT (US\$ mn)	6,454	6,228	6,639	7,206	7,995
Operating EPS (US\$)	0.54	0.54	0.59	0.67	0.76
Consensus EPS (US\$)	n.a	n.a	0.60	0.67	0.75
VNB/share (US\$)	0.26	0.36	0.44	0.52	0.63
Group EV / share (US\$)	5.9	5.9	6.6	7.5	8.6
P/B (x)	1.9	2.0	1.9	1.7	1.5
P/Embedded value (x)	1.2	1.2	1.1	1.0	0.9
Dividend yield (%)	2.6	2.8	3.1	3.4	4.0
Operating ROE (%)	12.8	14.5	16.1	16.5	16.2

Source: Company data, Bloomberg, CMBIGM estimates | Note: Stock price data quoted by market close on Feb 21, 2025.

- **Key risks:** 1) geopolitical and macroeconomic volatilities; 2) weaker-than-expected new business momentum; 3) lower-than-anticipated margin expansion; 4) lagged provincial branch approvals by CN regulators; 5) significant FX movements, etc.
- The company will report FY24 annual results on Friday, Mar 14, pre-open, and the earnings call will be held at 9:00am (HKT) on the day through webcast ([link](#))

Key Charts

Fig 1: 2H equities outperformed 1H in most markets

	1H24	2H24	FY24
CN - CSI 300 Index	0.9%	13.7%	14.7%
HK - HSI Index	3.9%	13.2%	17.7%
TH - SET Index	-8.1%	7.6%	-1.1%
SG - STI Index	2.9%	13.6%	16.9%
MY - KLCI Index	9.3%	3.3%	12.9%
Other markets:			
Indonesia - JKSE Index	-2.9%	0.2%	-2.7%
Philippines - PSEI Index	-0.6%	1.8%	1.2%
Vietnam - VNI Index	10.2%	1.7%	12.1%
Australia - ASX 200 Index	2.3%	5.1%	7.5%
New Zealand - NZX 50 Index	-0.5%	11.9%	11.4%
FTSE APAC ex Japan Index	6.9%	0.4%	7.3%
AIA stock price return (%)	-22.1%	6.2%	-17.3%

Source: Bloomberg, CMBIGM | Note: area in green implies the 2H equity returns higher than 1H.

Fig 2: Bond yield movements mixed across markets

(bps)	1H24	2H24	FY24
US	48	22	70
HK	31	20	51
CN	(36)	(53)	(89)
SG	50	(35)	15
TH	(0)	(42)	(42)
MY	(2)	(9)	(11)
Other markets:			
Indonesia	57	(3)	54
Philippines	59	(49)	10
Vietnam	49	23	73
South Korea	(8)	(57)	(64)
Australia	35	5	41

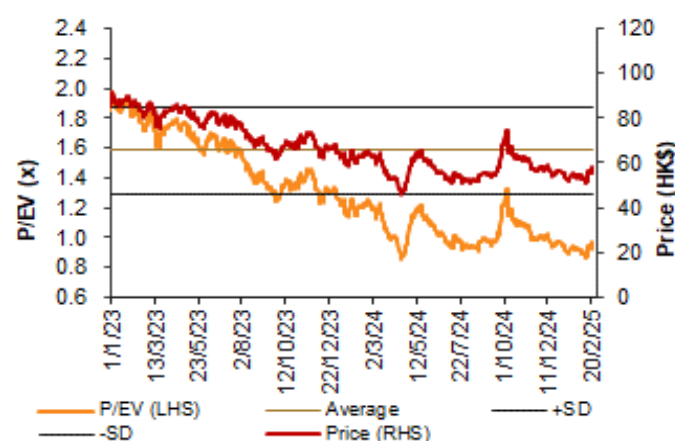
Source: Bloomberg, CMBIGM | Note: China, Malaysia and Thailand government bond yields were down 11-90bps; while others were up 10-70bps in FY24.

Fig 3: FX change against US dollars across markets

(Local FX per USD)	1H24	2H24	FY24
HK - HKD	0%	-1%	-1%
TH - THB	7%	-7%	0%
SG - SGD	3%	0%	3%
MY - MYR	3%	-5%	-3%
CN - CNY	2%	0%	3%
Other markets:			
Indonesia - IDR	6%	-2%	5%
Philippines - PHP	6%	-1%	4%
Taiwan - TWD	6%	1%	7%
South Korea - KRW	6%	7%	14%
Australia - AUD	3%	7%	10%
New Zealand - NZD	4%	9%	13%

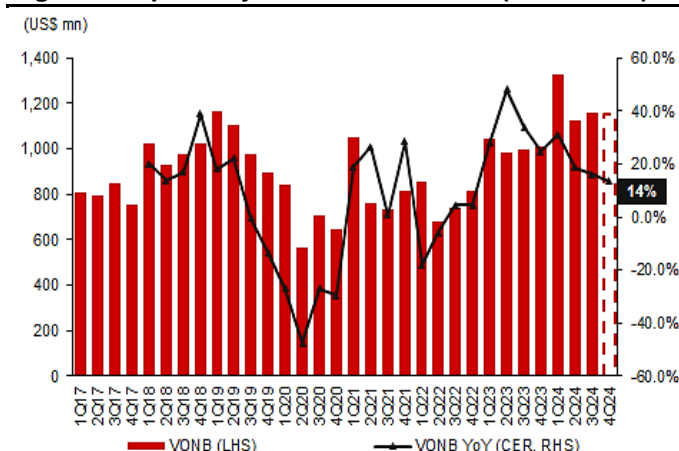
Source: Bloomberg, CMBIGM | Note: area marked in red means local currency appreciation versus US dollars during the period.

Fig 4: AIA (1299 HK) - 12-month forward P/EV band



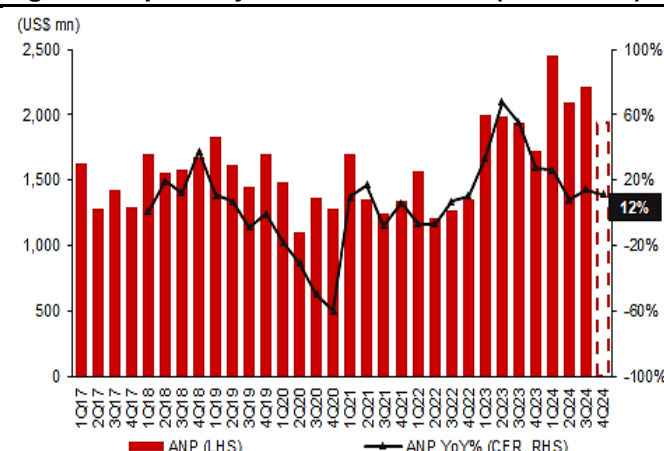
Source: Company data, Bloomberg, CMBIGM estimates

Fig 5: AIA quarterly VNB & VNB YoY% (CER basis)



Source: Company data, CMBIGM estimates

Fig 6: AIA quarterly ANP & ANP YoY% (CER basis)



Source: Company data, CMBIGM estimates

Financial Summary

INCOME STATEMENT	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
Insurance revenue		16,319	17,514	19,318	21,168	23,519
Contracts not measured under PAA:		14,524	15,107	16,261	17,500	19,118
Contracts measured under PAA		1,795	2,407	3,056	3,668	4,401
Insurance service expenses		(10,434)	(12,078)	(13,345)	(14,573)	(16,112)
Contracts not measured under PAA:		(8,869)	(9,775)	(10,239)	(10,958)	(11,774)
Contracts measured under PAA		(1,565)	(2,303)	(3,013)	(3,615)	(4,338)
Net expenses from reinsurance contracts held		(419)	(345)	(395)	(435)	(478)
Insurance service results		5,466	5,091	5,578	6,160	6,929
Net finance (expenses)/income from insurance contracts		31,122	(10,301)	(8,794)	(7,640)	(8,415)
Net investment results		3,597	3,792	3,765	3,893	4,186
Other expenses		(1,512)	(1,534)	(1,582)	(1,630)	(1,679)
Other results		(1,438)	(1,555)	(1,591)	(1,638)	(1,687)
Operating profit before tax		7,504	7,330	7,732	8,393	9,406
Income taxes		(1,050)	(1,102)	(1,093)	(1,187)	(1,411)
Operating profit after tax		6,454	6,228	6,639	7,206	7,995
Operating profit attributable to shareholders		6,421	6,213	6,615	7,181	7,967
Net profit		3,365	3,781	5,886	6,762	7,591
Net profit attributable to shareholders		3,331	3,764	5,860	6,733	7,558

BALANCE SHEET	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec (US\$ mn)						
ASSETS						
Intangible assets	2,914	3,277	3,615	3,558	3,630	3,703
Investments in associates and joint ventures	831	2,056	1,331	1,568	1,631	1,697
Property	2,744	2,844	4,058	4,571	4,662	4,756
Investment property	4,716	4,600	4,504	4,507	4,689	4,879
Insurance contract assets	3,681	2,037	1,457	1,530	1,606	1,687
Reinsurance contract assets	6,436	5,763	6,047	6,349	6,667	7,000
Financial investments:	278,231	232,711	248,958	264,230	285,977	312,528
At amortized cost:	6,910	6,353	5,888	6,249	6,764	7,391
At fair value through other comprehensive income:	103,580	86,060	88,612	94,048	101,788	111,239
At fair value through profit or loss:	167,741	140,298	154,458	163,933	177,425	193,898
Deferred tax assets	104	229	301	334	341	348
Current tax recoverable	120	117	207	194	198	202
Other assets	6,486	4,524	4,316	4,450	4,540	4,631
Cash and cash equivalents	4,989	8,020	11,525	9,684	10,475	11,438
Assets in disposal group held for sale	0	4,293	0	0	0	0
Total assets	311,252	270,471	286,319	300,976	324,416	352,869
LIABILITIES						
Insurance contract liabilities	217,773	181,851	203,271	217,771	234,060	252,256
Investment contract liabilities	13,896	9,092	9,170	9,598	10,582	11,666
Borrowings	9,588	11,206	11,800	12,519	13,802	15,217
Obligations under repurchase agreements	1,588	1,748	3,461	3,370	3,506	3,648
Derivative financial instruments	1,392	8,638	8,035	8,406	8,745	9,099
Provisions	186	153	174	176	184	191
Deferred tax liabilities	4,103	3,409	3,204	3,461	3,601	3,746
Current tax liabilities	389	467	387	403	419	436
Other liabilities	5,121	4,264	4,887	3,827	2,719	3,344
Liabilities in disposal group held for sale	0	4,111	0	0	0	0
Total liabilities	254,745	225,323	244,725	259,811	277,918	299,926
EQUITIES						
Share capital	14,160	14,171	14,176	14,183	14,190	14,198
Reserves	(7,134)	(15,998)	(17,398)	(17,663)	(14,326)	(10,694)
Retained profits	48,997	46,499	44,333	44,312	46,248	48,993
Total shareholders' equity	56,023	44,672	41,111	40,832	46,112	52,497
Non-controlling interests	484	476	483	333	386	446
Total equity	56,507	45,148	41,594	41,165	46,498	52,943
Total liabilities & equity	311,252	270,471	286,319	300,976	324,416	352,869

PER SHARE DATA	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
DPS (US\$)	0.19	0.20	0.21	0.23	0.26	0.30
Operating EPS (Reported) (US\$)	0.53	0.54	0.54	0.59	0.67	0.76
Operating EPS, diluted (US\$)	0.53	0.54	0.54	0.59	0.67	0.76
Consensus EPS (US\$)	n.a	n.a	n.a	0.60	0.67	0.75
Group embedded value/share (US\$)	6.03	5.85	5.92	6.55	7.50	8.62
VNB/share (US\$)	0.28	0.26	0.36	0.44	0.52	0.63
No. of shares basic	12,097	11,781	11,399	10,931	10,632	10,391
PROFITABILITY	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
Operating return on equity (Operating ROE)	12.8%	14.5%	16.1%	16.5%	16.2%	12.8%
Return on embedded value	14.3%	(1.8%)	6.7%	13.9%	16.5%	16.8%
VNB margin (APE basis)	59.3%	57.0%	52.6%	54.7%	55.8%	56.9%
VALUATION	2021A	2022A	2023A	2024E	2025E	2026E
YE 31 Dec						
P/Embedded value (x)	1.2	1.2	1.2	1.1	1.0	0.9
P/B (x)	1.5	1.9	2.0	1.9	1.7	1.5
Dividend yield (%)	2.5	2.6	2.8	3.1	3.4	4.0
Dividend payout (%)	35.2	36.6	38.4	38.5	38.6	39.0

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets. | Note: stock price data quoted by market close on Feb 21, 2025.

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