

PICC P&C (2328 HK)

Optimized CoR guidance beat expectations

PICC P&C's full-year CoR missed, yet FY25E guidance beat. FY24 net profit amounted to RMB 32.2bn, up by 30.9% YoY, in line with our forecast ([link](#)). Full-year CoR was worse off to 98.8%, +1.0pct YoY due to a rise of loss ratio (+2.4pct) more than offset an optimized expense ratio (-1.4pct) to 73%/25.8% respectively. Auto CoR was 96.8%, down 0.1pct YoY, meeting the <97% year-start guidance, thanks to a better expense ratio (-2.3pct) offsetting the climb of claims (+2.2pct). Non-auto CoR missed the year-start guidance of <100% to 101.9%, +2.8pct YoY with 2H/4Q-implied CoR at 107.4%/123.6% per CMBI, up by 3.6pct/3.3pct YoY. The mgmt. mentioned in the post-earnings call that in FY24, net claims amounted to RMB 15.6bn, 51.2% higher than the recent 5-year average of RMB 10.3bn and grew 32% YoY compared to FY23. Underwriting profit dropped 44% YoY to RMB 5.7bn, with 4Q ending up in a UW loss at RMB 730mn. **During the call, the mgmt. shed light on a strong FY25E CoR guidance, with auto/non-auto CoR expected to be <96%/<99%, a beat.** DPS was RMB 0.54 per share, up by 10.4% YoY, with RMB 0.208 from interim dividend and RMB 0.332 for final dividend, indicating a payout at 37.3%. Looking ahead, we are positive about the insurer's cost-effective CoR mgmt. and sufficient reserves to absorb impact of potential catastrophes. Driven by improved CoR composition, **we revise up our FY25-27E EPS forecasts by 6%/11%/18% to RMB 1.58/1.74/1.93, and roll-forward to FY25E net book value to derive the new TP at HK\$15.8. Maintain BUY.**

■ **FY24 pressured underwriting caused by surging claims.** In FY24, total insurance revenue was RMB 485.2bn, up 6.1% YoY with auto/non-auto ISR each enhanced by 4.5%/8.8% YoY. P&C CoR was 98.8% in FY24, +1.0pct YoY due to the drag of an increase in loss ratio (+2.4pct) more than offset a lowered expense ratio (-1.4pct). 2H/4Q-implied CoR was worse off to 101.3%/100.6% per CMBI, +1.6pct/+3.1pct YoY. We attribute this to the rise up of non-auto CoR led by heightened catastrophic claims throughout the year. Commercial property/agriculture/A&H's CoR was up 9.6pct/3.9pct/1.8pct YoY to 113.4%/105.2%/99.5%, undertaking a UW loss or close to a breakeven. Auto CoR was better off in 4Q24 to 97.1% (vs 3Q: 97.4%) probably due to effective cost control, and non-auto CoR further deteriorated in 4Q to 123.6% (CMBI est). The mgmt. guided to improve auto/non-auto CoR to less than 96%/99% in FY25E, better than that of the last two year to be less than 97%/100%. We expect FY25E CoR at 97.2% with narrowed expenses to compensate for potential claims hikes.

■ **Investment income surged with fair value gains.** Total investment income surged 68% YoY to RMB 34.9bn, implying a yield of 5.5%, primarily driven by the fair value gains from allocations to FVTPL equities (up RMB 12.8bn YoY). FVOCI stocks grew 40.4% YoY to RMB 39.2bn, making up to 6% of insurance fund portfolio. Bond investments amounted to RMB 141.3bn, up by 49% YoY. Dividends from FVOCI stocks grew 6.7% YoY to RMB 4.1bn, supported by the insurer's high-yield stock strategy. The net-off impact on fair value changes in A/L to NAV was 1.9%, up 1.2pct YoY, better performed than most listed peers.

■ **Valuation:** The stock is trading at 1.09x FY25E P/B, with avg. 3-yr forward ROE at 13.5% and a yield at 4.7%. Considering CoR improvements, we revise up FY25-27E EPS estimates to RMB 1.58/1.74/1.93, +6%/+11%/+18% YoY, and roll-forward to FY25E net book value to derive a new TP at HK\$15.8 (prev. HK\$14.0). Maintain BUY. The new TP implies 1.19x FY25E P/B (prev. 1.09x).

Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Net profit (RMB mn)	24,566	32,161	35,098	38,730	42,909
EPS (Reported)(RMB)	1.11	1.45	1.58	1.74	1.93
Consensus EPS (RMB)	n.a	n.a	1.52	1.65	1.83
P/B (x)	1.3	1.2	1.1	1.0	1.0
Dividend yield (%)	3.6	4.0	4.7	5.2	5.7
ROE (%)	10.8	13.0	13.1	13.5	14.0

Source: Company data, Bloomberg, CMBIGM estimates

BUY (Maintain)

Target Price	HK\$15.80
(Previous TP)	HK\$14.00)
Up/Downside	9.9%
Current Price	HK\$14.38

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Stock Data

Mkt Cap (HK\$ mn)	319,840.0
Avg 3 mths t/o (HK\$ mn)	448.7
52w High/Low (HK\$)	14.88/9.09
Total Issued Shares (mn)	22,242.0

Source: FactSet

Shareholding Structure

Citigroup Inc.	9.7%
JPMorgan Chase & Co	6.0%

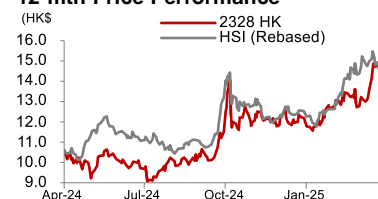
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	13.1%	12.2%
3-mth	17.3%	1.8%
6-mth	24.8%	14.1%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: Deloitte

Related reports:

1. PICC P&C (2328 HK) - 3Q CoR miss dragged by non-auto claims, Oct 31 2024 ([link](#))

2. PICC P&C (2328 HK) - CoR sequentially improved turning to positive 2Q net profit growth; first interim dividend in place, Aug 30, 2024 ([link](#))

3. PICC P&C (2328 HK) - 1Q24 catastrophe-induced claims fully released; FY24 CoR guidance sustained; exp. >40% payout, May7, 2024 ([link](#))

4. PICC P&C (2328 HK) - Non-auto CoR better than expected; sustain 40%+ payout in next two years, Apr 2, 2024 ([link](#))

5. PICC P&C (2328 HK) - Expect FY23E CoR guidance met; underwriting of NEVs and individual A&H to drive new growth Feb 5, 2024 ([link](#))

Key forecasts

(RMB bn, %)	Current			Previous			Change (% , pct)		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
EPS	1.58	1.74	1.93	1.49	1.56	1.64	5.9%	11.8%	18.0%
Group NPAT	35.1	38.7	42.9	33.1	34.7	36.4	5.9%	11.8%	18.0%
BVPS	12.33	13.13	14.06	12.1	12.9	13.8	2.0%	2.0%	2.0%
NAV	274.2	292.1	312.7	268.7	286.3	306.4	2.0%	2.0%	2.0%
Combined ratio (%)	97.2%	96.6%	96.2%	97.6%	97.4%	97.3%	-0.4%	-0.8%	-1.1%
Auto combined ratio (%)	96.0%	95.9%	95.7%	96.4%	96.2%	96.0%	-0.3%	-0.3%	-0.3%
Non-auto combined ratio (%)	98.9%	97.8%	96.9%	99.2%	99.0%	99.4%	-0.3%	-1.2%	-2.5%

Valuation

(RMB bn, %)	2328 HK	
P&C insurance	FY25E	FY26E
Shareholders' equity (RMB bn)	274.2	292.1
Fair value P/B (x)	1.18	1.16
Cost of equity	9.7%	9.8%
Forward 3-year ROE (avg)	13.5%	13.5%
Long-term growth	3.0%	3.0%
Underwriting cycle discount	-25%	-25%
Fair value (RMB mn)	323.8	337.8
Fair value per share (HK\$)	15.6	16.3
Number of shares (mn)	22,242	
RMB/HKD	1.07	
Price Target (TTM, HK\$)	15.8	
Implied P/B (x)	1.19x	
Implied P/E (x)	9.33x	
Upside (%)	9.9%	
Previous TP	14.0	
Chg. (%)	12.9%	

Key assumptions:

Risk-free	2.0%	2.0%
Beta	1.10x	1.12x
Market risk premiums	700bps	700bps
COE	9.7%	9.8%

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
Insurance revenue	424,355	457,203	485,223	507,074	536,826	574,586
Insurance service expenses	(395,965)	(431,991)	(465,392)	(479,999)	(506,028)	(539,883)
Net expenses from reinsurance contracts held	(5,993)	(6,142)	(5,451)	(5,451)	(5,451)	(5,451)
Insurance service results	22,397	19,070	14,380	21,624	25,347	29,251
Net finance (expenses)/income from insurance contracts	(9,333)	(10,127)	(9,901)	(8,490)	(8,460)	(8,424)
Net finance (expenses)/income from reinsurance contracts	1,301	1,246	1,234	1,222	1,209	1,197
Interest income	20,180	11,710	11,860	12,559	12,924	13,507
Net investment income	(3,706)	4,077	15,118	9,998	10,089	10,419
Credit impairment losses	(500)	(423)	911	0	0	0
Net investment results	7,942	6,483	19,222	15,289	15,762	16,699
Other income	1,064	195	254	267	280	294
Other expenses	(1,818)	(2,203)	(1,763)	(1,851)	(1,944)	(2,041)
Foreign exchange gains/losses	759	111	(8)	(8)	(8)	(8)
Other results	(1,000)	(3,048)	(2,710)	(2,821)	(2,938)	(3,059)
Profit before tax	34,021	28,035	38,015	41,428	45,728	50,675
Income taxes	(4,912)	(3,469)	(5,854)	(6,330)	(6,998)	(7,766)
Net profit	29,109	24,566	32,161	35,098	38,730	42,909
Net profit attributable to shareholders	29,164	24,585	32,173	35,109	38,743	42,923

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (RMB mn)						
ASSETS						
Investments in associates and joint ventures	58,085	62,601	67,129	71,552	75,799	80,612
Property	30,332	29,527	29,825	31,316	32,882	34,526
Investment property	7,440	7,576	7,234	7,634	8,087	8,600
Insurance contract assets	611	2,885	1,713	1,799	1,889	1,983
Reinsurance contract assets	36,827	38,891	40,506	42,531	44,658	46,891
Financial investments:	405,001	450,381	499,897	533,227	566,394	602,353
At amortized cost:	113,790	126,192	136,060	145,192	154,223	164,014
At fair value through other comprehensive income:	154,285	180,142	243,771	260,132	276,312	293,854
At fair value through profit or loss:	140,730	144,047	120,066	127,904	135,859	144,484
Loans and advances to customers	73,657	57,785	77,156	76,283	79,603	84,656
Deferred tax assets	12,083	10,139	8,392	8,812	9,252	9,715
Other assets	27,176	27,312	27,022	28,373	29,792	31,281
Cash and cash equivalents	21,250	16,526	19,370	19,151	19,984	21,253
Total assets	672,462	703,623	778,244	820,678	868,340	921,870
LIABILITIES						
Insurance contract liabilities	351,254	371,829	401,837	399,314	420,720	451,672
Investment contract liabilities	1,741	1,736	1,731	1,818	1,908	2,004
Obligations under repurchase agreements	41,690	40,037	39,642	40,435	41,244	42,068
Current tax liabilities	3,446	8	0	0	0	0
Bonds payable	8,097	8,365	20,433	21,455	22,527	23,654
Lease liabilities	1,484	1,316	1,301	1,366	1,434	1,506
Other liabilities	43,145	46,007	52,619	79,143	85,321	84,927
Liabilities in disposal group held for sale	450,857	469,319	517,622	543,595	573,226	605,911
EQUITIES						
Share capital	22,242	22,242	22,242	22,242	22,242	22,242
Reserves	196,471	209,178	235,682	156,839	160,010	163,242
Retained profits	79,782	78,496	82,057	95,133	109,807	127,204
Total shareholders' equity	218,713	231,420	257,924	274,214	292,059	312,688
Non-controlling interests	2,892	2,884	2,698	2,868	3,055	3,271
Total equity	221,605	234,304	260,622	277,083	295,114	315,959
Total liabilities & equity	672,462	703,623	778,244	820,678	868,340	921,870

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
DPS	0.48	0.49	0.54	0.63	0.70	0.77
EPS (Reported)	1.31	1.11	1.45	1.58	1.74	1.93
Consensus EPS	n.a	n.a	n.a	1.52	1.65	1.83
No. of shares basic	22,242	22,242	22,242	22,242	22,242	22,242
No. of shares diluted	22,242	22,242	22,242	22,242	22,242	22,242
PROFITABILITY	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
Return on equity (ROE)	13.5%	10.8%	13.0%	13.1%	13.5%	14.0%
Combined ratio (%)	96.6%	97.8%	98.8%	97.2%	96.6%	96.2%
Loss ratio	69.4%	70.6%	73.0%	72.5%	72.1%	71.8%
Expense ratio	27.2%	27.2%	25.8%	24.7%	24.5%	24.4%
VALUATION	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec						
P/B	1.4	1.3	1.2	1.1	1.0	1.0
Dividend yield (%)	3.6	3.6	4.0	4.7	5.2	5.7

Source: Company data, CMBIGM estimates. Note: The calculation of net cash includes financial assets.

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