

# ZhongAn (6060 HK)

## Placement may cause limited downside despite short-term volatilities

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 HK\$1.0bn 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	1.4	1.3	1.2
ROE (%)	22.8	2.9	4.7	5.1	5.7

Source: Company data, Bloomberg, CMBIGM estimates

**BUY (Maintain)**

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

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### 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%

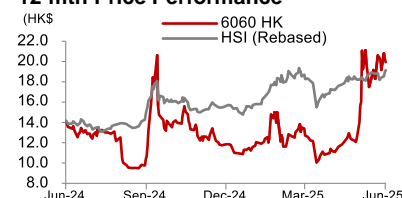
Source: HKEx

### 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:

1. 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](#))
3. ZhongAn (6060 HK) - Tech export out of the red; ZA Bank on track for breakeven, 24 Mar 2025 ([link](#))
4. ZhongAn (6060 HK) - Digital lifestyle leading growth; ZA Bank and technology export breakeven on track, 28 Mar 2024 ([link](#))
4. 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

<b>Prior to the Placing:</b>	#	%
Total issued shares (mn)	<b>1,470</b>	
Unlisted domestic shares (mn)	50	3.40%
Listed H shares (mn):	<b>1,420</b>	<b>96.60%</b>
Core connected person(s)	231	15.72%
Public H shares shareholders	1,189	80.88%
<b>Post-placing assuming all shares are placed:</b>	#	%
Total issued shares (mn)	1,685	
Unlisted domestic share (mn)	50	2.97%
Listed H shares (mn):	<b>1,635</b>	<b>97.03%</b>
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)						
<b>ASSETS</b>						
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
<b>Total assets</b>	<b>47,649</b>	<b>42,864</b>	<b>45,285</b>	<b>47,072</b>	<b>48,961</b>	<b>50,957</b>
<b>LIABILITIES</b>						
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
<b>Total liabilities</b>	<b>30,034</b>	<b>22,790</b>	<b>24,358</b>	<b>24,923</b>	<b>25,650</b>	<b>26,284</b>
<b>EQUITIES</b>						
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
<b>Total shareholders' equity</b>	<b>15,766</b>	<b>20,073</b>	<b>20,926</b>	<b>22,149</b>	<b>23,311</b>	<b>24,673</b>
Non-controlling interests	1,849	0	0	0	0	0
<b>Total equity</b>	<b>17,615</b>	<b>20,073</b>	<b>20,926</b>	<b>22,149</b>	<b>23,311</b>	<b>24,673</b>
<b>Total liabilities &amp; equity</b>	<b>47,649</b>	<b>42,864</b>	<b>45,285</b>	<b>47,072</b>	<b>48,961</b>	<b>50,957</b>

PER SHARE DATA	2022A	2023A	2024A	2025E	2026E	2027E
<b>YE 31 Dec</b>						
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
<b>YE 31 Dec</b>						
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
<b>YE 31 Dec</b>						
P/B(x)	1.7	1.3	1.3	1.4	1.3	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.

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