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CISG - Q2 2016 CNinsure Inc Earnings Call

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CORPORATE PARTICIPANTS

Oasis Qiu *CNinsure Inc - IR Officer*

Chunlin Wang *CNinsure Inc - CEO*

CONFERENCE CALL PARTICIPANTS

Bolun Tang *CICC - Analyst*

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by for CNinsure's second quarter 2016 earnings conference call. At this time are in a listen-only mode. All lines have been placed on mute to prevent background noise. After the management's prepared remarks there will be a question and answer session. Please follow the instructions given at that time if you would like to ask a question.

For your information, this conference call is now being broadcasted live over the internet. A webcast replay will be available within 3 hours after the conference is finished. Please visit CNinsure's IR website at IR.CNinsure.net under the events and webcast section.

Today's conference is being recorded. If you have any objections, you may disconnect at this time. I would now like to turn the meeting over to your host for today's conference, Ms. Oasis Qiu, CNinsure's investor relations officer.

Oasis Qiu - *CNinsure Inc - IR Officer*

Good morning, welcome to our second quarter 2016 earnings conference call. The earnings results were released earlier today, and are available on our IR website, as well as on Newswire.

Before we continue, please note that the discussion today will contain forward-looking statements made under the Safe Harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. The accuracy of such statements may be impacted by a number of business risks and uncertainties that could cause our actual results to differ materially from those projected or anticipated.

Such risks and uncertainties include but are not limited to those outlined in our filings with the SEC, including our registration statement on Form 20-F. We do not undertake any obligation to update this forward-looking information, except as required under applicable law.

Joining us today are our Chief Executive Officer, Mr. Chunlin Wang, and Chief Financial Officer, Mr. Peng Ge. Mr. Wang will walk you through our financial and operating performance in the first quarter 2016, and then the management will take your questions after the prepared remarks.

Now I will turn the call over to Mr. Wang.

Chunlin Wang - *CNinsure Inc - CEO*

(Interpreted) Hello, everybody. Thank you for joining us in the second quarter 2016 earnings conference call. Now, I will give you an update of our financial and operational results in the second quarter of 2016 and our CFO, Mr. Peng Ge, and I will take your questions at the end of the report.

In the second quarter of 2016, our total net revenue beat guidance again and grew 58.6% year-over-year. Our insurance premiums grew 46.1% year-over-year, outpacing the industry growth of 29.5%, evidencing the further strengthening of our market position during the quarter.

Now, I would like to review the highlights of our various business segments. Firstly, life insurance business. Net revenues from our life insurance business grew 207.9% year-over-year during the quarter, while insurance premiums from the business segment grew 61.5% year-over-year in comparison with an industry growth of 44.7% in the life insurance market. Noticeably, our first year of premiums from long-term life insurance product grew 238.5% year-over-year, accumulated first year premiums from long-term life insurance products in the first half of 2016 was 1.5 times more than that in the whole year of 2015.

Besides, our 13 months' persistency ratio, maintained at over 89% for two consecutive quarters, laying a solid base for the steady growth of our renewal life insurance business in the future.

Secondly, our P&C insurance business, despite a continued slowdown in the P&C insurance market with only 5.3% growth during the quarter, our P&C insurance business increased 44.2% year-over-year in terms of insurance premiums, of which insurance premiums generated by our P&C insurance agency segment and brokerage segment grew 40% and 63.8% year-over-year respectively, leading to a 45.2% and 38.4% year-over-year growth in net revenues in the two business segments.

Thirdly, our claims adjusting business. Our claims adjusting business grew steadily with net revenues up 23.5% year-over-year.

We believe that our strong results in the second quarter were attributable to both internal and external drivers. Since early this year, we have been focused on various strategic initiatives to achieve our 8-year target of over RMB100 billion in insurance premiums. In the meantime, the market and the regulatory evolution has presented favorable opportunities to us. Now, I would like to further expand this in five aspects.

Firstly, favorable regulatory policies. Since the 2015 amendment to the insurance role took effect last year which simplified procedures for the establishment of the insurance intermediary companies and removed the certificate requirements for an insurance agent, broker, or claims adjuster to conduct insurance practice. We do feel intensely that the spring for the insurance intermediary industry is coming.

Meanwhile, as pricing deregulation reform for life insurance and auto insurance deepened, the insurance market has never been as dynamic and vibrant as today, which also presents tremendous growth opportunities for the insurance intermediary sector.

Secondly, strengthened organizational and sales force expansion. We have made steady progress in setting up provincial branches in new markets. As of June 30, 2016, we've got our branch in Anhui province up and running and are in the process of getting our branches in Guangxi, Yunnan, and Qingdao, ready for operations while preparing to enter Inner Mongolia. We are also constantly searching for top sales agents and teams in the market and making efforts to attract them to join CNinsure.

During the first half of 2016, we have two more new sales outlets and 35,000 new sales agents.

Thirdly, effective marketing program in the second quarter of 2016. CNinsure invested over RMB94 million on marketing, mostly spent on granting subsidies to sales agents. Our marketing strategy was well received in the market and proved to be quite successful in preparing our business growth to an extent that even better than we originally expected.

Fourthly, continuous contribution from the CNpad App. By the second quarter of 2016, over 130,000 copies of CNpad App were downloaded. During the second quarter of 2016, over 28,000 active users made transactions on CNpad and insurance premium generated in the year through CNpad amounted to over RMB750 million, contributing 22% to the total insurance premiums. The number of downloads and volume transaction on CNpad App was somewhat impacted by the version transition started from the second quarter of 2016, but up to date, we have effectively concluded the transition in half of our sales network and we expect to complete the transition nationwide by the end of September.

Following the transition, we expect to roll out a new round of marketing activities to promote the download of CNpad App.

Fifthly, increasing cross selling activities as a result of organization combination of our life and P&C insurance agencies which we pushed forward back in 2013. As of June 30, 2016, 90% of our insurance agencies have the capacity to cross selling both P&C and life insurance products. The

synergy as a result of the business combination has helped improve the profitability of our agencies and the access to more diversified product offerings has also enabled agents to earn more income and increase customer stickiness.

The strong growth in the second quarter of 2016 is a testament that we have the right strategy and have made the right decision. Looking ahead, we will continue to expand our sales footprint and implement a flexible marketing program to expand market share. We expect our topline to grow by approximately 40% in the third quarter of 2016 which will be another firm step forward towards our goal of becoming a RMB100 billion size company in terms of insurance premium.

Now, our management will open the floor for your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). Bolun Tang, CICC.

Bolun Tang - CICC - Analyst

Morning, management, it's Bolun from CICC. Congratulations on the great results, especially the explosive growth in topline. My question is actually from an item in the balance sheet. So I noticed that the goodwill and the intangible assets at the end of this quarter actually increased roughly RMB50 million from the end of last quarter, I just want to understand the reason behind. Is it some acquisition of the goodwill due to our expansion in some branches in Anhui province or other provinces? Thank you.

Chunlin Wang - CNinsure Inc - CEO

(Interpreted) The increase in the goodwill and intangible was mainly due to two reasons. Firstly, we upgraded our CNpad App starting in the second quarter of 2016, and so some of the expenses were capitalized in the second quarter, amounting to roughly RMB50 million.

And then secondly, as we enter into new regions and new markets and set up new branches, we also bought some new equipment so that may also result in an increase in intangible assets. Thank you.

Bolun Tang - CICC - Analyst

Okay, got it. Got it.

And Oasis, can we expect the IT infrastructure investment like in CNpad in the future could be more put in to CapEx instead of expense, which I think may be helpful to our bottom line?

Chunlin Wang - CNinsure Inc - CEO

(Interpreted) Most of our R&D expenses were already capitalized as a matter of fact, and as the capitalized expenses were basically amortized in a range of three years so this kind of expenses doesn't really have much impact on our bottom line.

Bolun Tang - CICC - Analyst

Okay, thank you, thank you, very helpful.

Operator

(Operator Instructions).

Oasis Qiu - CNinsure Inc - IR Officer

Okay, thank you for your participation. If you have any questions, you can just contact me directly after this conference call. Thank you.

Operator

Thank you. Ladies and gentlemen, that does conclude our conference for today. Thank you for participating, you may now disconnect.

Editor

Portions of this transcript that are marked (interpreted) were spoken by an interpreter present on the live call. The interpreter was provided by the Company sponsoring this Event.

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