



Company Report: Haitong Int'l (00665 HK)

公司报告: 海通国际 (00665 HK)

Richard Cao 曹柱

(86755) 2397 6870

caozhu013592@gtjas.com

8 September 2021

Earnings in 2H21 Expected to Remain Relatively Good, Maintain "Buy"

2021年下半年盈利预计维持相对较好, 维持“买入”

- In 1H21, the Company realized total revenue and other income of HK\$3,743.4 mn, slightly down 0.1% YoY. The slight decrease in revenue was mainly due to the decrease in interest income and other income and gains or losses. Commission and fee income increased by 38.6% YoY to HK\$1,657.6 mn. The Company's cost-to-income ratio decreased by 20.3 ppts YoY to 65.4%, which was a main contributor for its growth of net profit. The Company's shareholders' net profit reached HK\$1,080.5 mn, up 107.2% YoY. Impairment losses of the Company amounted to HK\$226.6 mn, down 70.7% YoY. If excluding the impact from impairment losses, net profit increased by 1.0% to HK\$1,307.1 mn. The Company realized EPS of HK\$0.1838, up 106.5% YoY.

- We hold a prudently optimistic view on the Hong Kong stock market and we expect the Hong Kong stock market to remain range-bound for the rest of 2021. We expect that the Company's investment banking business will continue to benefit the projected good performance of Hong Kong's IPO raising market and record relatively good growth in 2H21. We expect EPS for FY21/ FY22/ FY23 to grow YoY by 13.4%/ 15.9%/ 16.2% to HK\$0.3740/ HK\$0.4336/ HK\$0.5036, respectively. Considering the change in market valuation, we revise down our TP for the Company from HK\$3.82 to HK\$3.21, which is equivalent to 8.6x/ 7.4x/ 6.4x 2021-2023 PER and 0.6x/ 0.6x/ 0.6x 2021-2023 PBR. Meanwhile, we maintain "Buy" rating for the Company.

- 2021年上半年公司实现总收入及其他收入 3,743.4 百万港元, 同比微降 0.1%。收入小幅下降主要是由于利息收入和其他收入及收益或亏损的减少。佣金及手续费收入同比增长 38.6% 至 1,657.6 百万港元。公司的成本收入比同比下降 20.3 个百分点至 65.4%, 是其净利润增长的主要贡献因素。公司股东净利润达到 1,080.5 百万港元, 同比增长 107.2%。公司的减值计提达 226.6 百万港元, 同比下降 70.7%。剔除减值计提影响, 净利润则增长 1.0% 至 1,307.1 百万港元。公司实现每股收益 0.1838 港元, 同比增长 106.5%。

- 2021 年余下时间, 我们对香港股市持审慎乐观态度, 我们预计香港股市将维持区间波动。2021 年下半年, 我们预期公司的投资银行业务将继续受惠于香港 IPO 融资市场预期的良好表现, 并录得相对较好的增长。我们预计, 2021-2023 年公司的每股收益将分别同比增长 13.4%、15.9%、16.2% 至 0.3740 港元、0.4336 港元、0.5036 港元。考虑到市场价值的变化, 我们将我们对公司的目标价从 3.82 港元下调至 3.21 港元, 相当于 8.6 倍/7.4 倍/6.4 倍的 2021-2023 年市盈率以及 0.6 倍/0.6 倍/0.6 倍 2021-2023 年市净率。同时, 我们维持对公司的“买入”投资评级。

Rating:

Buy

Maintained

评级:

买入 (维持)

6-18m TP 目标价:

HK\$3.21

Revised from 原目标价:

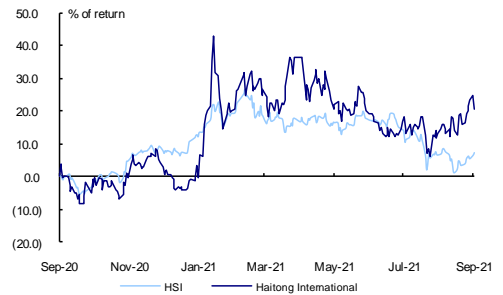
HK\$3.82

Share price 股价:

HK\$2.280

Stock performance

股价表现



Change in Share Price	1 M	3 M	1 Y
股价变动	1 个月	3 个月	1 年
Abs. % 绝对变动 %	6.5	1.3	20.6
Rel. % to HS Index 相对恒指变动 %	5.9	9.8	13.5
Avg. share price (HK\$) 平均股价 (港元)	2.2	2.2	2.2

Source: Bloomberg, Guotai Junan International.

Year End	Turnover	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
年结	收入	股东净利	每股净利	每股净利变动	市盈率	每股净资产	市净率	每股股息	股息率	净资产收益率
12/31	(HK\$ '000)	(HK\$ '000)	(HK\$)	(Δ%)	(x)	(HK\$)	(x)	(HK\$)	(%)	(%)
2019A	8,205,165	1,550,858	0.268	47.1	8.5	4.679	0.5	0.131	5.7	5.9
2020A	8,232,436	1,932,877	0.330	22.8	6.9	4.831	0.5	0.161	7.1	7.0
2021F	7,504,046	2,208,086	0.374	13.4	6.1	4.952	0.5	0.184	8.1	7.7
2022F	8,472,112	2,560,026	0.434	15.9	5.3	5.176	0.4	0.213	9.4	8.6
2023F	9,585,025	2,973,660	0.504	16.2	4.5	5.438	0.4	0.248	10.9	9.5

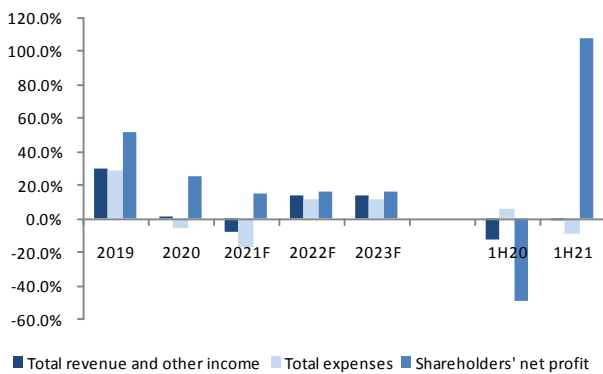
Shares in issue (m) 总股数 (m)	6,037.5	Major shareholder 大股东	Haitong Securities 64.9%
Market cap. (HK\$ m) 市值 (HK\$ m)	15,576.8	Free float (%) 自由流通比率 (%)	35.1
3 month average vol. 3 个月平均成交股数 ('000)	6,750.9	FY21 Net gearing (%) FY21 净负债/股东资金 (%)	162.7
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)	2.790 / 1.710	FY21 Cost/Turnover (%) 21 年开支/收入 (%)	64.9

Source: the Company, Guotai Junan International.

In 1H21, the Company realized total revenue and other income of HK\$3,743.4 mn, slightly down 0.1% YoY, with lower-than-expected interest income and other income and gains or losses. The slight decrease in revenue was mainly due to the decrease in interest income and other income and gains or losses. Commission and fee income increased by 38.6% YoY to HK\$1,657.6 mn, of which, commission and fee income from brokerage business, investment banking business, and asset management business increased YoY by 20.4%, 48.8%, and 75.5% to HK\$475.2 mn, HK\$798.1 mn, and HK\$271.1 mn, respectively. The average daily turnover in Hong Kong for 1H21 was HK\$188.2 bn, up 60.1% YoY. Funds raised by IPOs rocketed by 148.3% YoY. On the whole, we think that the Company's growth in commission and fee income was mainly as a result of the good performance of the Hong Kong market and partially due to the Company's transformation to focus on fee-based business. The Company recorded interest income of HK\$989.4 mn, down 27.4% YoY, of which, interest income from advances to customers in margin financing decreased by 11.9% YoY to HK\$454.8 mn, whose decrease is expected to be primarily attributable to the decrease and structure adjustment of the balance of advances to customers and the decline of the market interest rate level. The Company recorded net trading and investment income of HK\$1,187.8 mn, up 23.0% YoY, which was mainly due to the significant turnaround of net income from financial assets held for trading and market making activities and the growth of net gain from investment securities at fair value, while net trading income on financial products declined YoY. The Company's other income and gains or losses recorded net losses of HK\$91.3 mn, compared with net gains of HK\$224.3 mn in 1H2020.

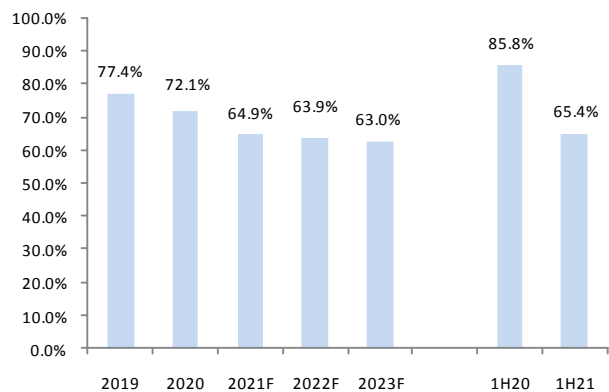
The Company's 1H21 shareholders' net profit missed expectations primarily due to lower-than-expected total revenue and other income. In 1H21, the Company's total expenses amounted to HK\$2,222.8 mn, down 9.0% YoY, which mainly came from the decline in finance costs. Finance costs declined by 47.8% YoY to HK\$616.2 mn. Impairment losses of the Company amounted to HK\$226.6 mn, down 70.7% YoY. The Company's cost-to-income ratio decreased by 20.3 ppts YoY to 65.4%, which was a main contributor for its growth in net profit. The Company's shareholders' net profit reached HK\$1,080.5 mn, up 107.2% YoY. If excluding the impact from impairment losses, net profit increased by 1.0% to HK\$1,307.1 mn. The Company realized EPS of HK\$0.1838, up 106.5% YoY, and declared an interim dividend of HK\$0.09, whose payout ratio achieved nearly 50.3%. Annualized ROAE and net profit margin for 1H21 amounted to 7.5% and 28.9%, respectively, up 3.7 ppts YoY and 15.0 ppts YoY, respectively.

Figure-1: Haitong International – YoY growth of total revenue and other income, total expenses and shareholders' net profit

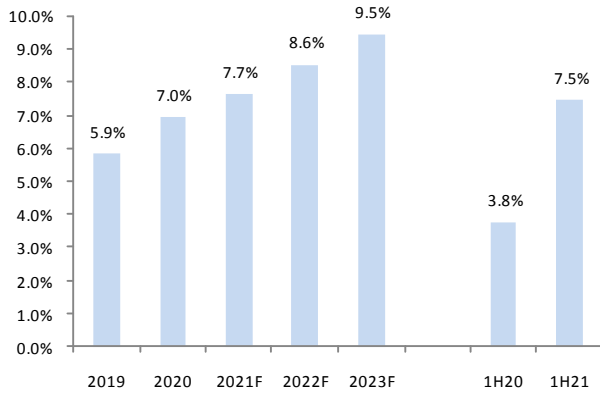


Source: the Company, Guotai Junan International.

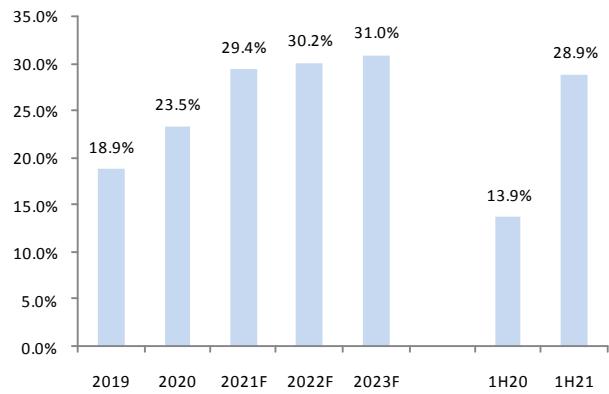
Figure-2: Haitong International – cost-to-income ratio



Source: the Company, Guotai Junan International.

Figure-3: Haitong International – ROAE


Source: the Company, Guotai Junan International.

Figure-4: Haitong International – net profit margin


Source: the Company, Guotai Junan International.

The Company's global investment banking business continued to lead the market. In 1H21, the Company's investment banking business continued to lead the market and achieved a fee income of HK\$798.1 mn, up 48.8% YoY, among which commission on underwriting and placing amounted to HK\$687.7 mn, up 47.9% YoY, and financial advisory and consultancy fee income amounted to HK\$110.5 mn, up 54.8% YoY. In 1H21, the Company completed 22 IPOs, ranking no. 1 among investment banks in Hong Kong in terms of number of projects underwritten and underwriting amount. The Company also completed 8 equity financing projects in overseas capital markets, in which 5 were in the United States and 3 in India. On the DCM front, the Company completed a total of 136 bond issuance projects. The Company ranked no. 3 in the China Risk G3+CNY bond markets and no. 2 in Asia (ex-Japan) G3 corporate high yield bond markets in terms of number of issuance among financial institutions worldwide. Among which, the Company completed 27 green and sustainable bond issuance projects amounted to US\$7.97 bn with doubled number of projects and financing size as compared to full year of 2020.

We hold a prudently optimistic view on the Hong Kong stock market and we expect the Hong Kong stock market to remain range-bound for the rest of 2021. At the beginning of 2021, as the research and development and vaccination of COVID-19 vaccines in major economies have been steadily advancing, market expectations for global economic recovery and corporate profit growth have improved obviously, driving the rapid rise of Hong Kong stocks. However, due to the impact of inflation pressure in the United States, periphery stock market volatility increased and the Hong Kong stocks' technology sector saw a correction drag on index performance. Later, the US Federal Reserve (the "US Fed") reiterated that it would continue to maintain the current interest rate level and asset purchase which resulted in market inflation concerns being partially eased; Hong Kong stocks generally maintained a volatile trend. As at 7 September 2021, the Hang Seng index closed at 26,353.6 points, down 3.2% YTD. In the rest of 2021, China's and global economic recovery is expected to continue. According to the US Federal Reserve's projection in July 2021, the board members of the Federal Open Market Committee (FOMC) expressed to continue to maintain the benchmark rate at 0-0.25%, and it is expected that it would be appropriate to maintain this target range until the objectives of employment and inflation have been reached. China-concept stocks are seeking Hong Kong as their first choice of secondary listing, and this is expected to further promote the optimization of the structure of Hong Kong's stock market, attracting stronger southbound inflows and spurring the market trading volume. The abovementioned factors are expected to benefit the Hong Kong stock market. However, around the world, although COVID-19 vaccines have been gradually rolled out, COVID-19 mutations have increased uncertainties surrounding the COVID-19 outbreak, and the impact of the COVID-19 outbreak on the global economy still has uncertainties. Meanwhile, other macro instabilities including geopolitical risks, particularly relating to tension between the US and China, more-than-expected inflation in the US, and shifts in the US Federal Reserve's policies, remain. These factors are expected to put pressure on the Hong Kong stock market. On the whole, we hold a prudently optimistic view on the Hong Kong stock market and we expect the Hong Kong stock market to remain range-bound for the rest of 2021.

We expect EPS for FY21/ FY22/ FY23 to grow YoY by 13.4%/ 15.9%/ 16.2% to HK\$0.3740/ HK\$0.4336/ HK\$0.5036, respectively. In 2H21, we expect that the Company's brokerage business will still grow at a relatively stable pace; in 2H21, the financing amount of Hong Kong's IPO raising market is expected to continue to be maintained at a good level given China-concept stocks' secondary listing on the Hong Kong stock market. Considering its strength of investment banking business, we expect that the Company's investment banking business will continue to benefit the projected good performance of Hong Kong's IPO raising market and record relatively good growth; we project that the Company's finance costs will continue

to be maintained at a relatively low level given that the Company's leverage ratio is expected to remain at a low level; and we expect that the Company's impairment losses will continue to decrease compared with that in 2H21. On the whole, we expect that the Company's earnings will still record relatively good growth in 2H21. We revise down our forecasts on shareholders' net profit for FY21/ FY22/ FY23 by 11.8%/ 8.5%/ 5.3%, respectively. We forecast the Company's shareholders' net profit for FY21/ FY22/ FY23 to grow YoY by 14.2%/ 15.9%/ 16.2% to HK\$2,208.1 million/ HK\$2,560.0 million/ HK\$2,973.7 million, respectively. We expect EPS for FY21/ FY22/ FY23 to grow YoY by 13.4%/ 15.9%/ 16.2% to HK\$0.3740/ HK\$0.4336/ HK\$0.5036, respectively.

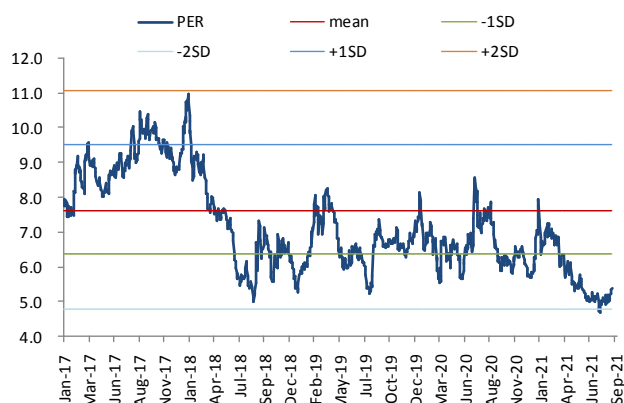
Table-1: Key Assumptions and Adjustments

HK\$ thousand	New estimation			Old estimation			Change		
	2021F	2022F	2023F	2021F	2022F	2023F	2021F	2022F	2023F
Commission and fee income	3,231,801	3,549,970	3,942,772	3,398,846	3,751,037	4,150,539	(4.9%)	(5.4%)	(5.0%)
Interest income	1,959,142	2,176,485	2,445,183	2,258,722	2,408,676	2,589,303	(13.3%)	(9.6%)	(5.6%)
Net trading and investment income	2,371,490	2,722,302	3,170,002	3,074,079	3,420,206	3,810,951	(22.9%)	(20.4%)	(16.8%)
Total revenue and other income	7,504,046	8,472,112	9,585,025	8,621,686	9,454,563	10,407,887	(13.0%)	(10.4%)	(7.9%)
Total expenses	(4,869,152)	(5,417,248)	(6,036,575)	(5,642,112)	(6,126,245)	(6,670,551)	(13.7%)	(11.6%)	(9.5%)
Profit before tax	2,634,894	3,054,863	3,548,450	2,979,574	3,328,318	3,737,336	(11.6%)	(8.2%)	(5.1%)
Profit after tax	2,208,086	2,560,026	2,973,660	2,503,334	2,796,336	3,139,979	(11.8%)	(8.5%)	(5.3%)
Shareholders' net profit	2,208,086	2,560,026	2,973,660	2,503,334	2,796,336	3,139,979	(11.8%)	(8.5%)	(5.3%)
Basic EPS (HK\$)	0.3740	0.4336	0.5036	0.4269	0.4633	0.5202	(12.4%)	(6.4%)	(3.2%)

Source: Guotai Junan International.

We revise down our TP for the Company from HK\$3.82 to HK\$3.21 and maintain "Buy" rating. According to our financial forecasts, Haitong International is currently trading at 6.3x 2021 PER and 5.4x 2022 PER, and 0.5x 2021 PBR and 0.5x 2022 PBR. The Company's investment banking business and global layout outperformed its main peers. We expect the following factors to support the Company's valuation in the near future: 1) the Company has redefined asset structure and business focus, and strengthened its fee-based business; 2) the Company's strength in investment banking business is projected to make it benefit from the projected good prospects of Hong Kong's IPO raising market in 2021; 3) the Company's provisioning pressure for its troubled assets is expected to continue to decline in the near future; and 4) the Company's earnings is projected to still record relatively good growth in 2H21. Considering the change in market valuation, we revise down our TP for the Company from HK\$3.82 to HK\$3.21, which is equivalent to 8.6x/ 7.4x/ 6.4x 2021-2023 PER and 0.6x/ 0.6x/ 0.6x 2021-2023 PBR. Meanwhile, we maintain "Buy" rating for the Company.

Figure-5: Haitong International – Forward PER



Source: Bloomberg, Guotai Junan International.

Figure-6: Haitong International – Forward PBR



Source: Bloomberg, Guotai Junan International.

Major Risks

- Extremely loose monetary policies around the world have increased relevant potential risks.
- COVID-19 mutations have increased uncertainties surrounding the COVID-19 outbreak.
- The impact from the COVID-19 outbreak on the capital market may possibly be beyond our expectation.
- The commission rate for the industry is likely to continue to face downward pressure over the next few years, which will

negatively affect the brokerage business of the Company.

- The competition among Chinese brokers in Hong Kong is intensifying.
- The performance of the Hong Kong market and other overseas capital markets may possibly be beyond our expectation.
- Possible failure to meet regulatory requirements might lead to penalties for the Company.
- Trade conflict, geopolitical risks, and emerging economic risks may increase.
- Tension between China and the US could intensify.

Table-2: Peers Comparison

Company	Stock Code	CURR	Last price	PE				PB				ROE (%)	D/Y (%)	Market Cap
				20A	21F	22F	23F	20A	21F	22F	23F	21F	21F	HK\$ mil
Hong Kong -- mainly operating in HK														
Guotai Junan International	1788 HK	HK\$	1.36	8.0	7.0	6.2	5.7	0.9	0.8	0.7	0.7	12.0	7.4	13,082
Haitong International Securi	665 HK	HK\$	2.28	6.9	5.8	5.0	4.6	0.5	0.5	0.4	0.4	8.6	8.5	13,766
Sun Hung Kai & Co Ltd	86 HK	HK\$	4.28	3.3	2.4	2.2	2.0	0.4	0.3	0.3	0.3	13.6	6.1	8,472
Shenwan Hongyuan Hk Ltd	218 HK	HK\$	1.19	10.6	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.	1,858
First Shanghai Investments	227 HK	HK\$	0.30	n.a.	n.a.	n.a.	n.a.	0.2	n.a.	n.a.	n.a.	n.a.	n.a.	511
Cisi Fin	6058 HK	HK\$	0.20	n.a.	n.a.	n.a.	n.a.	0.2	n.a.	n.a.	n.a.	n.a.	n.a.	788
Cmbc Capital Holdings Ltd	1141 HK	HK\$	0.10	11.9	n.a.	n.a.	n.a.	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	4,684
Bright Smart Securities And	1428 HK	HK\$	1.67	6.0	4.0	n.a.	n.a.	1.5	1.3	n.a.	n.a.	34.9	6.1	2,834
Bocom International Holdings	3329 HK	HK\$	1.81	5.8	4.2	3.7	3.5	0.7	0.6	0.6	0.5	15.2	12.2	4,949
Southwest Securities Interna	812 HK	HK\$	0.06	n.a.	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	220
Cinda International Holdings	111 HK	HK\$	0.49	3.7	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	311
Simple Average				7.0	4.7	4.3	4.0	0.7	0.7	0.5	0.5	16.9	8.0	
Weighted Average				7.0	5.2	4.6	4.3	0.8	0.6	0.5	0.5	13.1	7.9	
Hong Kong -- mainly operating in mainland China														
Citic Securities Co Ltd-H	6030 HK	HK\$	21.10	16.2	11.4	9.9	8.7	1.3	1.2	1.1	1.0	10.6	3.7	21.10
Haitong Securities Co Ltd-H	6837 HK	HK\$	7.59	7.5	6.0	5.4	4.8	0.5	0.5	0.5	0.4	8.8	5.1	7.59
Gf Securities Co Ltd-H	1776 HK	HK\$	15.64	10.5	8.6	7.4	6.5	1.0	0.9	0.8	0.8	10.8	3.6	15.64
Huatai Securities Co Ltd-H	6886 HK	HK\$	12.46	9.2	7.1	6.3	5.7	0.7	0.7	0.6	0.6	9.9	4.7	12.46
China Galaxy Securities Co-H	6881 HK	HK\$	4.61	5.8	5.1	4.8	4.6	0.5	0.5	0.4	0.4	9.4	5.9	4.61
Central China Securities C-H	1375 HK	HK\$	1.56	69.3	n.a.	n.a.	n.a.	0.5	n.a.	n.a.	n.a.	n.a.	n.a.	1.56
Guolian Securities Co Ltd-H	1456 HK	HK\$	3.83	12.2	n.a.	n.a.	n.a.	0.7	n.a.	n.a.	n.a.	n.a.	n.a.	3.83
Hengtai Securities Co Ltd-H	1476 HK	HK\$	3.11	17.3	n.a.	n.a.	n.a.	0.8	n.a.	n.a.	n.a.	n.a.	n.a.	3.11
China International Capita-H	3908 HK	HK\$	22.35	12.4	9.9	8.4	7.3	1.4	1.2	1.0	0.9	12.3	1.8	22.35
Dfzq-H	3958 HK	HK\$	8.15	19.1	11.4	10.0	8.5	0.8	0.8	0.7	0.7	8.2	4.1	8.15
Everbright Securities Co L-H	6178 HK	HK\$	6.76	12.0	6.8	6.0	6.3	0.5	0.5	0.4	0.4	7.2	4.3	6.76
China Merchants Securities-H	6099 HK	HK\$	12.76	10.7	8.7	7.6	6.6	1.0	0.9	0.8	0.7	10.3	3.5	12.76
Csc Financial Co Ltd-H	6066 HK	HK\$	10.06	7.5	6.8	6.1	5.4	1.1	0.9	0.8	0.7	13.4	4.6	10.06
Guotai Junan Securities Co-H	2611 HK	HK\$	11.50	8.5	6.0	5.4	5.0	0.7	0.6	0.6	0.5	10.4	6.5	11.50
Simple Average				15.6	8.0	7.0	6.3	0.8	0.8	0.7	0.7	10.1	4.3	
Weighted Average				11.9	8.4	7.4	6.5	1.0	0.9	0.8	0.7	10.6	3.9	
China														
Citic Securities Co-A	600030 CH	CNY												
Guotai Junan Securities Co-A	601211 CH	CNY	27.15	23.4	18.1	15.4	13.2	1.9	1.8	1.7	1.6	10.4	2.3	27.15
Shenwan Hongyuan Co-A	000166 CH	CNY	18.76	15.6	11.9	10.5	9.4	1.3	1.1	1.1	1.0	9.9	3.2	18.76
Haitong Securities Co Ltd-A	600837 CH	CNY	6.07	19.6	17.9	16.6	15.6	1.7	1.6	1.5	1.4	9.2	1.6	6.07
Guosen Securities Co Ltd-A	002736 CH	CNY	13.81	15.3	12.9	11.5	10.1	1.2	1.1	1.0	0.9	8.7	2.4	13.81
Gf Securities Co Ltd-A	000776 CH	CNY	12.39	17.2	14.6	13.2	10.7	1.7	1.6	1.4	n.a.	10.2	2.0	12.39
Orient Securities Co Ltd-A	600958 CH	CNY	23.89	18.1	15.3	13.1	11.4	1.9	1.7	1.6	1.4	11.3	2.0	23.89
Huatai Securities Co Ltd-A	601688 CH	CNY	18.08	47.6	29.2	24.3	20.7	2.1	2.0	1.9	1.8	7.7	1.5	18.08
China Merchants Securities-A	600999 CH	CNY	18.68	15.6	12.5	11.0	9.7	1.3	1.2	1.1	1.0	9.9	2.5	18.68
Everbright Securitie Co -A	601788 CH	CNY	19.63	18.5	15.4	13.4	11.7	1.9	1.6	1.5	1.4	10.6	1.9	19.63
Changjiang Securities Co L-A	000783 CH	CNY	17.09	34.2	20.1	18.0	n.a.	1.6	1.4	1.3	n.a.	7.4	1.6	17.09
Sinolink Securities Co Ltd-A	600109 CH	CNY	8.07	21.2	17.3	15.4	16.1	1.6	1.5	1.4	1.3	8.2	1.5	8.07
Southwest Securities Co Lt-A	600369 CH	CNY	12.05	19.6	17.6	15.3	17.2	1.6	1.5	1.4	1.3	8.5	0.5	12.05
Guoyuan Securities Co Ltd-A	000728 CH	CNY	5.38	29.9	29.9	26.9	n.a.	1.4	n.a.	n.a.	n.a.	4.8	n.a.	5.38
Pacific Securities Co/The-A	601099 CH	CNY	8.30	24.0	24.8	21.8	n.a.	1.2	1.2	1.1	n.a.	4.5	2.4	8.30
Northeast Securities Co Lt-A	000686 CH	CNY	3.49	n.a.	n.a.	n.a.	n.a.	2.5	n.a.	n.a.	n.a.	n.a.	n.a.	3.49
Industrial Securities Co-A	601377 CH	CNY	9.17	16.1	n.a.	n.a.	n.a.	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	9.17
Shanxi Securities Co Ltd-A	002500 CH	CNY	11.52	19.2	17.1	14.8	12.2	2.0	1.9	1.7	1.6	11.3	1.1	11.52
Sealand Securities Co Ltd -A	000750 CH	CNY	6.91	30.0	n.a.	n.a.	n.a.	1.5	n.a.	n.a.	n.a.	n.a.	n.a.	6.91
Founder Securities Co Ltd-A	601901 CH	CNY	4.37	33.6	n.a.	n.a.	n.a.	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	4.37
Soochow Securities Co Ltd-A	601555 CH	CNY	8.71	67.0	27.2	25.6	n.a.	1.8	n.a.	n.a.	n.a.	6.4	n.a.	8.71
Western Securities Co Ltd-A	002673 CH	CNY	10.43	22.7	20.1	18.0	16.8	1.5	1.4	1.3	1.2	6.9	1.4	10.43
Dongxing Securities Co Lt-A	601198 CH	CNY	8.44	26.5	n.a.	n.a.	n.a.	1.4	n.a.	n.a.	n.a.	n.a.	n.a.	8.44
Sdic Capital Co Ltd-A	600061 CH	CNY	12.24	21.9	n.a.	n.a.	n.a.	1.6	n.a.	n.a.	n.a.	n.a.	n.a.	12.24
First Capital Securities C-A	002797 CH	CNY	9.77	10.1	32.6	28.7	n.a.	1.0	2.1	1.9	n.a.	n.a.	1.1	9.77

Central China Securities C-A	601375 CH	CNY	7.73	36.8	23.4	19.8	n.a.	2.3	3.0	2.7	n.a.	n.a.	0.8	7.73
China Galaxy Securities Co-A	601881 CH	CNY	5.22	261.0	n.a.	n.a.	n.a.	1.8	n.a.	n.a.	n.a.	n.a.	n.a.	5.22
Csc Financial Co Ltd-A	601066 CH	CNY	11.25	15.8	14.5	13.3	12.2	1.4	1.3	1.3	1.2	9.5	2.1	11.25
China International Capital-A	601995 CH	CNY	33.70	28.1	27.8	24.0	21.0	4.5	3.7	3.3	3.0	13.3	1.1	33.70
Simple Average			59.38	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	12.9	n.a.	59.38
Weighted Average				33.7	20.0	17.7	13.9	1.7	1.7	1.6	1.4	9.1	1.7	
Taiwan														
Yuanta Financial Holding Co	2885 TT	TWD	24.30	12.2	9.1	9.5	9.0	1.1	1.1	1.0	1.0	13.2	6.3	83,055
Sinopac Financial Holdings	2890 TT	TWD	14.00	12.8	9.8	9.8	8.7	1.0	1.0	0.9	0.9	10.1	6.4	44,435
Simple Average				12.5	9.4	9.7	8.8	1.1	1.0	1.0	0.9	11.6	6.4	
Weighted Average				12.4	9.3	9.6	8.9	1.1	1.0	1.0	0.9	12.1	6.3	
Korea														
Mirae Asset Daewoo Co Ltd	006800 KS	KRW	8,870.00	7.3	5.8	6.4	6.3	0.5	0.6	0.5	0.5	10.0	3.2	37,720
Samsung Securities Co Ltd	016360 KS	KRW	49,200.00	8.7	5.2	6.1	5.9	0.8	0.7	0.7	0.6	15.1	7.2	29,408
Korea Investment Holdings Co	071050 KS	KRW	91,900.00	6.2	3.6	4.9	4.6	0.9	0.8	0.7	0.6	23.4	4.1	34,279
Nh Investment & Securities C	005940 KS	KRW	13,150.00	6.8	4.8	5.5	5.2	0.6	0.6	0.6	0.5	13.1	6.8	24,769
Simple Average				7.3	4.9	5.7	5.5	0.7	0.7	0.6	0.6	15.4	5.3	
Weighted Average				7.2	4.9	5.7	5.5	0.7	0.7	0.6	0.6	15.4	5.1	
Japan														
Nomura Holdings Inc	8604 JP	JPY	575.90	8.5	11.5	7.5	7.2	0.7	0.7	0.6	0.6	5.7	6.0	131,669
Daiwa Securities Group Inc	8601 JP	JPY	665.90	17.0	9.4	11.2	10.7	0.8	0.8	0.7	0.7	8.5	6.3	80,012
Mizuho Financial Group Inc	8411 JP	JPY	1,607.00	90.9	8.7	7.4	7.4	4.8	0.4	0.4	0.4	5.3	4.7	288,521
Simple Average				38.8	9.8	8.7	8.4	2.1	0.6	0.6	0.6	6.5	5.7	
Weighted Average				57.4	9.5	8.0	7.9	3.1	0.5	0.5	0.5	5.9	5.3	
U.S.														
Jpmorgan Chase & Co	JPM US	USD	159.49	17.9	11.4	13.5	12.4	2.0	1.8	1.8	1.6	16.7	2.4	3,704,320
Bank Of America Corp	BAC US	USD	41.05	21.8	12.8	13.5	12.0	1.4	1.4	1.3	1.2	11.1	1.9	2,684,938
Citigroup Inc	C US	USD	71.17	15.0	7.2	9.2	8.0	0.8	0.8	0.7	0.6	11.1	2.9	1,121,183
Goldman Sachs Group Inc	GS US	USD	411.31	16.4	7.8	11.1	10.4	1.7	1.5	1.4	1.3	20.6	1.6	1,124,378
Morgan Stanley	MS US	USD	104.25	15.9	14.2	14.4	12.8	2.0	1.9	1.9	1.8	14.0	2.0	1,478,449
Simple Average				17.4	10.7	12.3	11.1	1.6	1.5	1.4	1.3	14.7	2.2	
Weighted Average				18.2	11.3	12.9	11.6	1.7	1.6	1.5	1.4	14.6	2.2	
Europe														
Ubs Group Ag-Reg	UBSG SW	CHF	15.44	9.0	9.0	9.1	8.2	1.0	1.0	0.9	0.8	10.3	2.3	485,820
Credit Suisse Group Ag-Reg	CSGN SW	CHF	9.79	9.0	12.2	7.2	6.4	0.6	0.6	0.5	0.5	2.4	1.7	220,705
Deutsche Bank Ag-Registered	DBK GR	EUR	10.82	154.5	10.8	8.4	7.5	0.4	0.4	0.4	0.4	3.0	2.1	206,296
Barclays Plc	BARC LN	GBp	185.64	21.1	6.1	7.4	7.0	0.6	0.5	0.5	0.5	9.1	3.3	337,038
Bnp Paribas	BNP FP	EUR	54.35	10.2	8.6	8.3	7.7	0.7	0.6	0.6	0.6	7.2	6.5	626,862
Simple Average				40.8	9.3	8.1	7.3	0.7	0.6	0.6	0.6	6.4	3.2	
Weighted Average				27.6	8.9	8.2	7.5	0.7	0.7	0.6	0.6	7.3	3.8	

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement					
Year end 31 Dec (HK\$ thousand)	2019A	2020A	2021F	2022F	2023F
Commission and fee income	2,291,922	2,864,575	3,231,801	3,549,970	3,942,772
Interest income	2,941,593	2,464,585	1,959,142	2,176,485	2,445,183
Net trading and investment income	3,010,459	3,000,587	2,371,490	2,722,302	3,170,002
Total revenue	8,243,974	8,329,747	7,562,433	8,448,757	9,557,957
Other income and gains or losses	(38,809)	(97,311)	(58,387)	23,355	27,068
Total rev. and other inc.	8,205,165	8,232,436	7,504,046	8,472,112	9,585,025
Salaries & allowances, bonus & pension	(1,380,918)	(1,564,995)	(1,906,786)	(2,144,301)	(2,416,395)
Commission expenses	(179,351)	(257,958)	(181,158)	(197,658)	(216,403)
Amortisation and depreciation	(225,566)	(252,091)	(283,602)	(299,768)	(317,454)
Impairment charges, net of reversal	(634,489)	(986,115)	(334,137)	(362,541)	(363,638)
Operating expenses	(804,439)	(726,174)	(969,589)	(1,086,200)	(1,219,300)
Finance costs	(3,129,773)	(2,144,511)	(1,193,878)	(1,326,782)	(1,503,384)
Total expenses	(6,354,536)	(5,931,844)	(4,869,152)	(5,417,248)	(6,036,575)
Operating profit	1,850,629	2,300,592	2,634,894	3,054,863	3,548,450
Profit before tax	1,850,629	2,300,592	2,634,894	3,054,863	3,548,450
Income tax	(299,771)	(367,715)	(426,809)	(494,837)	(574,790)
Profit after tax	1,550,858	1,932,877	2,208,086	2,560,026	2,973,660
Non-controlling interest	0	0	0	0	0
Shareholders' profit / loss	1,550,858	1,932,877	2,208,086	2,560,026	2,973,660
Basic EPS	0.268	0.330	0.374	0.434	0.504

Cash Flow Statement					
Year end 31 Dec (HK\$ thousand)	2019A	2020A	2021F	2022F	2023F
Profit before tax	1,850,629	2,300,592	2,634,894	3,054,863	3,548,450
Depreciation and amortization	225,566	252,091	283,602	299,768	317,454
Interest income	(2,941,593)	(2,464,585)	(1,959,142)	(2,176,485)	(2,445,183)
Others	3,703,786	2,543,799	1,000,086	1,116,184	1,237,463
Change in working capital	(4,774,837)	57,106	3,393,302	(6,128,545)	(8,123,233)
Interest received	3,029,768	2,915,820	1,959,142	2,176,485	2,445,183
Dividend received	121,622	634,821	576,417	621,378	677,923
Interest paid	(3,001,002)	(2,357,585)	(1,193,878)	(1,326,782)	(1,503,384)
Tax paid	(36,498)	(646,785)	(426,809)	(494,837)	(574,790)
Cash from operating activities	(1,822,559)	3,235,274	6,267,615	(2,857,970)	(4,420,117)
Change of PPE and intangibles	(85,390)	(86,913)	(83,182)	(82,312)	(80,791)
Disposal of investments	154,440	0	0	0	0
Cash from investing activities	69,050	(86,913)	(83,182)	(82,312)	(80,791)
Debt financing	(562,765)	(2,356,189)	(3,592,239)	4,430,309	6,110,283
Proceeds from change of shares	(71,853)	(230,980)	(89,537)	(92,877)	(52,791)
Dividends paid to shareholders	(261,015)	(350,861)	(1,249,581)	(1,197,272)	(1,389,480)
Other financing activities	(170,079)	(145,014)	(121,724)	(127,111)	(124,098)
Cash from financing activities	(1,065,712)	(3,083,044)	(5,053,080)	3,013,048	4,543,914
Net changes in cash	(2,819,221)	65,317	1,131,353	72,766	43,006
Cash at beg of year	7,088,829	4,269,608	4,334,925	5,466,278	5,539,045
Cash at end of year	4,269,608	4,334,925	5,466,278	5,539,045	5,582,050

Source: the Company, Guotai Junan International.

Balance Sheet					
Year end 31 Dec (HK\$ thousand)	2019A	2020A	2021F	2022F	2023F
Cash & cash equivalents	4,269,608	4,334,925	5,466,278	5,539,045	5,582,050
Cash held on behalf of customers	15,134,126	19,553,711	20,128,832	21,914,946	24,457,897
Financial investment assets	98,426,393	89,170,033	80,966,390	87,281,768	95,224,409
Advances to customers	25,907,689	23,950,422	21,974,558	23,691,540	25,818,779
Accounts receivable	8,683,114	5,576,807	7,485,519	8,146,182	8,897,740
Prepayments, deposits and other recs	1,762,781	1,106,453	1,159,203	1,267,791	1,390,354
Goodwill and other intangible assets	485,916	480,148	445,640	412,274	380,170
Property and equipment	706,275	812,208	890,499	952,918	994,321
Others	898,600	1,457,809	1,475,303	1,602,179	1,752,784
Total Assets	156,274,502	146,442,516	139,992,221	150,808,642	164,498,504
Financial liabilities	20,975,620	20,502,925	15,919,794	17,344,052	18,999,794
Accounts payable	19,107,219	22,921,539	24,239,838	26,324,994	28,670,397
Borrowings	58,291,346	55,885,140	52,292,901	56,723,211	62,833,494
Repurchase agreements	27,455,006	10,680,425	9,996,878	10,843,824	12,011,932
Others	3,414,730	8,135,318	8,306,160	9,012,183	9,877,353
Total Liabilities	129,243,921	118,125,347	110,755,572	120,248,263	132,392,969
Total Shareholders' Equity	27,030,581	28,317,169	29,236,650	30,560,379	32,105,536
Minority Interest	0	0	0	0	0
Total Equity	27,030,581	28,317,169	29,236,650	30,560,379	32,105,536

Financial Ratios					
	2019A	2020A	2021F	2022F	2023F
Total rev. and other inc. growth	29.1%	0.3%	(8.8%)	12.9%	13.1%
Shareholders' net profit growth	51.6%	24.6%	14.2%	15.9%	16.2%
Basic EPS growth	47.1%	22.8%	13.4%	15.9%	16.2%
Cost-to-income ratio	(77.4%)	(72.1%)	(64.9%)	(63.9%)	(63.0%)
Net profit margin	18.9%	23.5%	29.4%	30.2%	31.0%
ROAA	1.0%	1.3%	1.5%	1.8%	1.9%
ROAE	5.9%	7.0%	7.7%	8.6%	9.5%
Leverage ratio	522.2%	448.1%	410.0%	421.8%	436.2%

Company Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Buy	买入	Relative Performance > 15%; or the fundamental outlook of the company or sector is favorable.
Accumulate	收集	Relative Performance is 5% to 15%; or the fundamental outlook of the company or sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the company or sector is neutral.
Reduce	减持	Relative Performance is -5% to -15%; or the fundamental outlook of the company or sector is unfavorable.
Sell	卖出	Relative Performance < -15%; or the fundamental outlook of the company or sector is unfavorable.

Sector Rating Definition

The Benchmark: Hong Kong Hang Seng Index

Time Horizon: 6 to 18 months

Rating		Definition
Outperform	跑赢大市	Relative Performance > 5%; or the fundamental outlook of the sector is favorable.
Neutral	中性	Relative Performance is -5% to 5%; or the fundamental outlook of the sector is neutral.
Underperform	跑输大市	Relative Performance < -5%; or the fundamental outlook of the sector is unfavorable.

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 27/F., Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.
 Tel.: (852) 2509-9118 Fax: (852) 2509-7793
 Website: www.gtja.com.hk