



## Company Report: HTSC (06886 HK)

公司报告: 华泰证券 (06886 HK)

Franco Li 李炜

(852) 2509 7204

franco.li@gtjas.com.hk

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# Prop Trading Dragged Down Performance; Investment Banking Growth Accelerated; "Buy"

自营业务拖累业绩；投行增速加快：“买入”

- **"Buy" with TP of HK\$11.00, corresponding to 0.6x 2022 P/B.** Revenue dropped 12.2% yoy in 2022Q1-Q3 and 14.1% in 2022Q3, mainly dragged by prop trading. Shareholders' net profit decreased 29.2% yoy in 2022Q1-Q3 and 25.4% yoy in 2022Q3, in line with our expectation. Given the Company's top-ranking investment banking capacity, we expect it to benefit from industrial opportunities against the backdrop of "financial markets supporting the real economy".
- **Prop trading dragged down the Company's performance in 2022Q3, while investment banking business was strong.** 1) Due to volatile capital markets, prop trading income plunged 59.0% yoy in 2022Q1-Q3 and 81.7% yoy in 2022Q3, dragging down the Company's performance. 2) Growth in asset management revenue slowed down to 11.2% yoy in 2022Q1-Q3. 3) Investment banking business growth accelerated, with revenue up 9.4% yoy in 2022Q1-Q3 and 45.0% yoy in 2022Q3, partly offsetting decline in total revenue.
- **Solid investment banking business and OTC derivatives business are likely to drive future growth.** 1) The Company continued to build its customer-oriented OTC derivatives business system and strengthened its OTC derivatives capacity to better meet institutional client demand. 2) In the context of financial markets supporting the real economy, we expect that registration-based reform may accelerate, which will boost investment banking business and benefit the Company.
- **“买入”，目标价 11.00 港元，对应 0.6 倍 2022 年市净率。** 2022 年前三季度收入同比下降 12.2%，2022 年第三季度下降 14.1%，主要受自营交易拖累。股东净利润在 2022 年前三季度同比下降 29.2%，在 2022 年第三季度同比下降 25.4%，符合我们的预期。鉴于公司的投行能力位居前列，我们预计其将在“金融市场支持实体经济”的背景下受益于行业机遇。
- **自营业务拖累公司 2022 年第三季度业绩，而投行业务表现强劲。** 1) 受资本市场震荡影响，2022 年前三季度自营交易收入同比暴跌 59.0%，2022 年第三季度同比暴跌 81.7%，拖累公司业绩。2) 2022 年前三季度资产管理收入同比增速放缓至 11.2%。3) 投资银行业务增长加快，2022 年前三季度收入同比增长 9.4%，2022 年第三季度同比增长 45.0%，部分抵消了总收入的下降。
- **强劲的投资银行和场外衍生品业务有望推动未来增长。** 1) 公司持续构建以客户为中心的场外衍生品业务体系，增强场外衍生品能力，更好地满足机构客户需求。2) 在金融市场支持实体经济的背景下，我们预计注册制改革可能会加快推进，这将促进投资银行业务，利好公司。

Rating:

**Buy**  
Initial

评级:

买入 (首次覆盖)

6-18m TP 目标价:

**HK\$11.00**

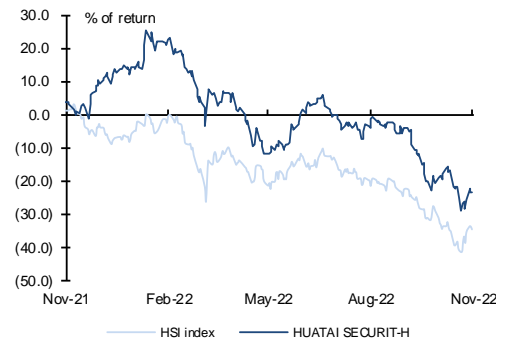
Revised from 原目标价:

Share price 股价:

HK\$8.290

### 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 %	(5.1)	(20.0)	(26.8)
Rel. % to HS Index 相对恒指变动 %	(0.2)	(3.4)	7.8
Avg. share price (HK\$) 平均股价 (港元)	8.5	9.4	10.8

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	(RMB m)	(RMB m)	(RMB)	(Δ %)	(x)	(RMB)	(x)	(RMB)	(%)	(%)
2020A	31,445	10,822	1.192	20.2	6.3	14.2	0.5	0.3	4.0	8.6
2021A	37,905	13,346	1.470	23.3	5.1	16.4	0.5	0.5	6.0	9.6
2022F	33,545	10,571	1.165	-20.8	6.5	16.1	0.5	0.4	4.7	7.2
2023F	41,727	13,144	1.448	24.3	5.2	17.2	0.4	0.4	5.9	8.7
2024F	46,736	14,937	1.646	13.6	4.6	18.4	0.4	0.5	6.7	9.3

Shares in issue (m) 总股数 (m)	9,075.6	Major shareholder 大股东	Jiangsu Guoxin 15.1%
Market cap. (HK\$ m) 市值 (HK\$ m)	112,578.2	Free float (%) 自由流通比率 (%)	74.1
3 month average vol. 3 个月平均成交股数 ('000)	2,529.7	FY22 Net Profit Margin (%) FY22 净利润率 (%)	31.5
52 Weeks high/low (HK\$) 52 周高/低	14.300/7.650	FY22 Leverage (x) FY22 杠杆倍数 (x)	6.2

Source: the Company, Guotai Junan International.

**"Buy" with TP of HK\$11.00, corresponding to 0.6x 2022 P/B.** Revenue dropped 12.2% yoy in 2022Q1-Q3 and 14.1% in 2022Q3, mainly dragged by prop trading. Shareholders' net profit decreased 29.2% yoy in 2022Q1-Q3 and 25.4% yoy in 2022Q3, in line with our expectation. Given HTSC's (the "Company") top-ranking investment banking capacity, we expect it to benefit from industrial opportunities against the backdrop of "financial markets supporting the real economy".

**Prop trading dragged down the Company's performance in 2022Q3, while investment banking business was strong.**

1) Due to volatile capital markets, prop trading income plunged 59.0% yoy in 2022Q1-Q3 and 81.7% yoy in 2022Q3, dragging down the Company's performance. 2) Growth in asset management revenue slowed down to 11.2% yoy in 2022Q1-Q3. 3) Investment banking business growth accelerated, with revenue up 9.4% yoy in 2022Q1-Q3 and 45.0% yoy in 2022Q3, partly offsetting decline in total revenue.

**Solid investment banking business and OTC derivatives business are likely to drive future growth.**

1) The Company continued to build its customer-oriented OTC derivatives business system. By leveraging its fintech advantages, the Company is likely to strengthen its OTC derivatives capacity and better meet institutional client demand. 2) In the context of financial markets supporting the real economy, we expect that registration-based reform may accelerate, which will boost investment banking business. Thus, with solid IPO pipeline and top-ranking investment banking capacity, the Company is likely to benefit from the potential acceleration of registration-based reform and beat market expectations.

**Catalyst:** Potential acceleration of registration-based reform; Growing demand for derivatives.

**Risks:** Policy support may be worse than expected; volatile equity market.

**Financial Statements and Ratios**

Year end 31 Dec (RMB m)	2020A	2021A	2022F	2023F	2024F
<b>Income statement</b>					
<b>Revenue</b>	<b>31,445</b>	<b>37,905</b>	<b>33,545</b>	<b>41,727</b>	<b>46,736</b>
Brokerage income	6,460	7,879	7,051	7,467	7,477
Investment banking income	3,644	4,344	4,856	5,710	6,696
Asset management income	2,980	3,772	4,180	4,664	5,071
Investment income	14,363	13,901	7,790	13,619	15,633
Net interest income	2,605	3,799	2,835	3,056	3,288
<b>Operating expense</b>	<b>17,944</b>	<b>21,567</b>	<b>20,579</b>	<b>25,618</b>	<b>28,433</b>
Tax and surcharges	209	240	212	264	296
SG&A	15,166	17,274	16,101	20,864	22,901
<b>Operating profit</b>	<b>13,501</b>	<b>16,339</b>	<b>12,966</b>	<b>16,109</b>	<b>18,303</b>
Income tax	2,634	2,672	2,116	2,631	2,990
Minority interests	48	255	202	251	285
<b>Shareholders' net profit</b>	<b>10,822</b>	<b>13,346</b>	<b>10,571</b>	<b>13,144</b>	<b>14,937</b>
<b>Balance Sheet</b>					
Cash and cash equivalents	153,162	147,868	214,310	278,909	370,551
Held for trading financial assets	292,695	356,082	392,373	442,473	505,417
Long term equity investments	18,445	19,195	21,152	23,852	27,245
<b>Total assets</b>	<b>716,751</b>	<b>806,651</b>	<b>909,595</b>	<b>1,085,715</b>	<b>1,313,952</b>
Customer brokerage deposits	136,388	147,502	206,503	289,104	404,745
<b>Total liabilities</b>	<b>584,439</b>	<b>654,615</b>	<b>759,915</b>	<b>925,909</b>	<b>1,142,993</b>
<b>Equity attributable to owners of the parent</b>	<b>129,071</b>	<b>148,423</b>	<b>146,123</b>	<b>156,008</b>	<b>166,896</b>
BPS	14.22	16.35	16.10	17.19	18.39
<b>Revenue Structure</b>					
Brokerage income	21%	21%	21%	18%	16%
Investment banking income	12%	11%	14%	14%	14%
Asset management income	9%	10%	12%	11%	11%
Investment income	46%	37%	23%	33%	33%
Net interest income	8%	10%	8%	7%	7%
Other income	4%	11%	20%	17%	18%
<b>Financial Ratio</b>					
Revenue yoy	26.5%	20.5%	-11.5%	24.4%	12.0%
Operating profit yoy	16.3%	21.0%	-20.6%	24.2%	13.6%
Shareholders' net profit yoy	20.2%	23.3%	-20.8%	24.3%	13.6%
ROE	8.6%	9.6%	7.2%	8.7%	9.3%
ROA	1.7%	1.8%	1.2%	1.3%	1.2%
SG&A/Revenue	57.1%	56.9%	61.3%	61.4%	60.8%
Effective tax rate	19.5%	16.4%	16.4%	16.4%	16.4%
Financial Assets/Equity	246%	360%	396%	421%	452%
Stock investment/Equity	90%	83%	81%	87%	92%

Source: the Company, Guotai Junan International.

Note: the financial statements and estimations are based on the Company's A-share Reports.

### 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