20 May 2026

CMB International Global Markets | Equity Research | Company Update

Futu Holdings (FUTU US)

1Q26 preview: softer earnings affected by interest income; net asset inflows close to record high

BUY (Maintain)

Futu is scheduled to release 1Q26 results on May 28 (Thu), pre-market. We expect the broker's topline/bottom-line to reach HK$6.1bn/HK$3.2bn in 1Q26, down 6%/7% QoQ, ~1%/4% below Bloomberg consensus. The sequential slowdown in revenues could be due to a mid-teens QoQ decline in interest income (*CMBI est: -16%*), possibly landing short of market expectations. We attribute this interest income decline to 1) falling securities lending revenue due to heightened equity market volatilities, leading to deleveraging sentiment (i.e. HSI/HSTECH: -3.3%/-15.7% and KWEB/NASDAQ: -16.5%/-7.1% in 1Q26); 2) easing growth of margin financing income despite a robust MFSL balance, which we estimate to have sequentially edged up by a low-single digit in 1Q26; and 3) lower avg. 1M/3M HIBOR rate at 2.5%/2.7%, down 72bps/66bps from 4Q25. Brokerage commission income is expected to rise 4% QoQ to HK$2.9bn (*CMBI est*), driven by a record trading volume and a stabilized blended commission rate. Other income could be a swing factor for the topline, and we project it to stay flattish QoQ driven by 1) robust fund distribution income, and 2) rising IPO subscription and underwriting fee inflows. Operating expenses (OpEx) will likely remain disciplined, with cost of new client acquisition at ~HK$2.3k, below the lower bound of the year-start guidance. As a result, NPM could fall by ~1pct QoQ to 51.9% (*CMBI est*) in 1Q26. Maintain BUY, with our TP at US$228 (unchanged) based on probability-weighted method of DCF and a target P/E multiple, which implies 19.2x FY26E P/E.

- **Key forecasts for 1Q26E:**

  1) 222k new funded accounts in 1Q26, tracking 28% of mgmt.'s full-year new acquisition guidance. We project 1Q new funded accounts to reach 222k, down 5% QoQ/15% YoY due to weakened market sentiment amid heightened equity market volatilities, bringing total funded accounts to 3.59mn, up 7%/34% QoQ/YoY.

  2) Client AUM modestly grew to HK$1.25tn, driven by near-record net asset inflows which largely offset the mark-to-market fair value losses (i.e. HSI/HSTECH: -3.3%/-15.7% and KWEB/NASDAQ: -16.5%/-7.1% in 1Q26). The AUM from cash deposits and wealth management could sequentially tick up amid rising volatilities.

  3) Trading volume to hit a record of HK$4.12tn, up 4%/28% QoQ/YoY driven by rallies in both US and HK market turnover. In 1Q26, we see US/HK market turnover rising 11.9%/18.4% QoQ to US$66.4tn/HK$16.6tn, per data of CBOE and HKEx.

  4) Brokerage commission income totalled HK$2.9bn, rising 4%/25% QoQ/YoY. We expect the 1Q brokerage commission income increase to be driven by the uptick of trading volume, and a relatively stable blended commission rate at ~7bps. Trading velocity could marginally rise to 15.6x in 1Q26, vs. 15.0x from 4Q25.

  5) Interest income fell by mid-teens QoQ, due to decline in securities lending income. We forecast interest income to drop 16% QoQ to HK$2.6bn in 1Q26, weighed by the sequential slowdown in securities lending interest income. To cross-read, HOOD's and IBKR's net securities lending revenues notably declined by 85%/61% QoQ in 1Q26 (*Fig.3* & *Fig.4*) dragged by subdued market sentiment.

  6) OpEx stayed disciplined with CAC below the lower bound of guidance. In 1Q26, we expect total operating expenses to rise 3% QoQ to HK$1.6bn, with selling and marketing expenses remaining broadly prudent and CAC at ~HK$2.3k, below the lower bound of the year-start guidance of HK$2.5k-3k. We estimate 1Q26 OPM to be 61.7%, down 2.7pct QoQ, mainly reflecting the softness in operating income.

- **Watch list for 1Q26 earnings call:** 1) product pipeline throughout 2026E, and outlook for earnings upside from the rollout of prediction market in the US; 2) geographic diversification, esp. new client acquisition and AUM from the ex-Greater China markets; 3) shareholder return policies following the new cash dividend announced in early April; 4) timeline updates for overseas expansions; and 5) roadmap for Web3 ecosystem buildout upon receiving the full-scale VATP license.

- **Valuation:** The stock is trading at 10.5x FY26E P/E, representing a 51% discount vs. key peers as shown in *table*. We fine-tune our FY26-28E earnings per ADR estimates to HK$93/HK$108/HK$121 from HK$94/HK$110/HK$124 to factor in the

Target Price	**US$228.00**
Up/Downside	**83.1%**
Current Price	**US$124.50**

China Financials

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Stock Data

Mkt Cap (US$ mn)	17,598.8
Avg 3 mths t/o (US$ mn)	128.8
52w High/Low (US$)	199.04/101.93
Total Issued Shares (mn)	1133.3

Source: FactSet

Shareholding Structure

Hua Li	14.9%
Aspex Management HK Ltd	4.8%

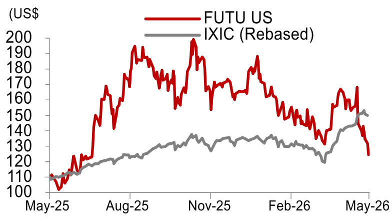
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	-24.4%	-28.7%
3-mth	-19.9%	-29.1%
6-mth	-19.0%	-30.9%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: PwC

Related reports:

1. Futu Holdings (FUTU US) - 4Q robust growth in-line; geographic diversification saw sequential improvement, Mar 16, 2026

2. Futu Holdings (FUTU US) - 4Q25 Preview: Resilient key metrics with modest sequential growth amid market turbulence, Mar 9, 2026

3. Futu Holdings (FUTU US) - 3Q earnings a strong beat, driven by resilient net asset inflows and NII recovery, Nov 20, 2025

4. Futu Holdings (FUTU US) - Marketing feedback: short-term views mixed; 3Q EPS upside to reinforce long-term convictions, Oct 28, 2025

5. Futu Holdings (FUTU US) - Pioneered one-stop financial services platform to ride on crypto advancements; Initiate BUY, Oct 14, 2025

1Q softness, and expect the broker's long-term growth outlook to remain intact. We believe the current risk-reward of Futu is appealing, with its FY26-28E 3yr avg. ROE of 26.3% (*CMBI est*) and FY26E/27E P/E at 11x/9x, vs. key peers' avg. ROE of 19.1% and their respective avg. FY26E/27E trading P/E at 23x/19x (*Fig.2*). Maintain BUY with TP at US$228 (unchanged), corresponding to 19.2x FY26E P/E.

- **Key risks:** 1) lower-than-expected turnover amid easing sentiment; 2) softening trends in client asset inflows across key markets; 3) sharp interest rate shocks; 4) significant drawdowns in US/HK stock and crypto markets; 5) slower-than-expected new market entry; and 6) significantly tightening regulatory oversight, etc.

Earnings Summary

(YE 31 Dec)	FY24A	FY25A	FY26E	FY27E	FY28E
Adjusted net profit (HK$ mn)	5,768	11,645	13,529	15,669	17,652
EPS (diluted) (HK$)	38.9	80.2	93.4	108.0	121.3
Consensus EPS (HK$)	n.a	n.a	93.9	107.0	122.1
P/E (x)	24.9	12.1	10.5	9.1	8.1
P/B (x)	5.0	3.5	2.8	2.2	1.7
ROE (%)	20.7	33.3	29.3	26.4	23.2

Source: Company data, Bloomberg, CMBIGM estimates

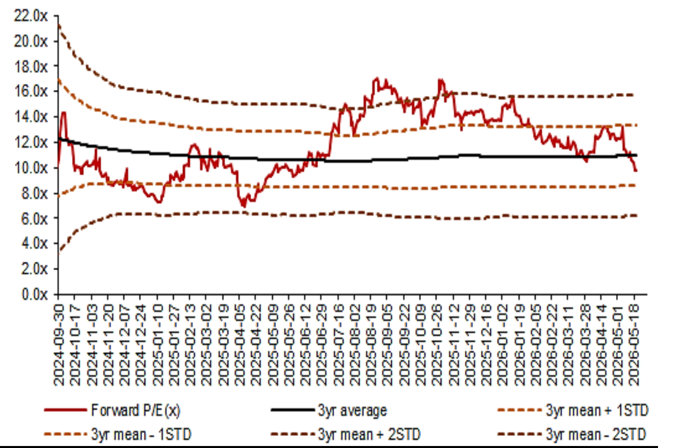
Peers' comps table

Company	Ticker	Last price (LC)	2026E P/E	2027E P/E	2028E P/E
Up Fintech Holdings	TIGR US	5.82	5.9x	5.2x	4.4x
Robinhood Markets Inc.	HOOD US	74.16	38.5x	29.1x	24.4x
Interactive Brokers	IBKR US	83.45	33.4x	29.3x	25.7x
Charles Schwab	SCHW US	91.81	15.0x	12.7x	10.9x
East Money	300059 CH	19.90	21.4x	19.2x	17.6x
		Median	***21.4x***	***19.2x***	***17.6x***
		Mean	***22.9x***	***19.1x***	***16.6x***
Futu Holdings Ltd.	**FUTU US**	**124.50**	***10.5x***	***9.1x***	***8.1x***
	Discount vs peers median		*-50.8%*	*-52.8%*	*-54.0%*

Source: Bloomberg, CMBIGM estimates | Note: Stock price data quoted by market close on May 19, 2026 (Tue). FY26-28E EPS estimates of Up Fintech, Robinhood, Interactive Brokers, Charles Schwab, and East Money are quoted from Bloomberg consensus as of May 19, 2026.

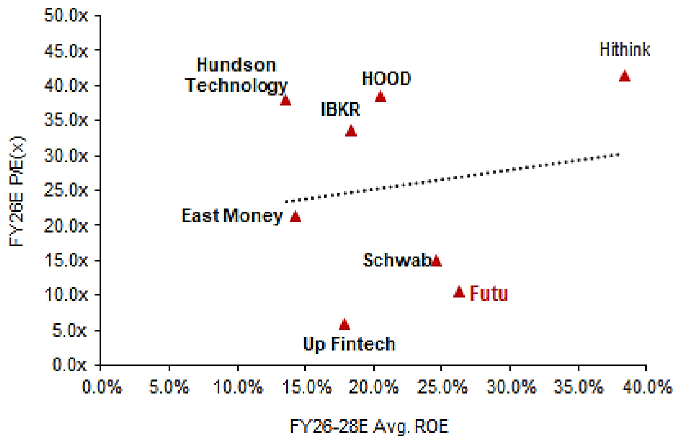
Focus Charts

Fig 1: Futu's P/E(x) valuation trading band



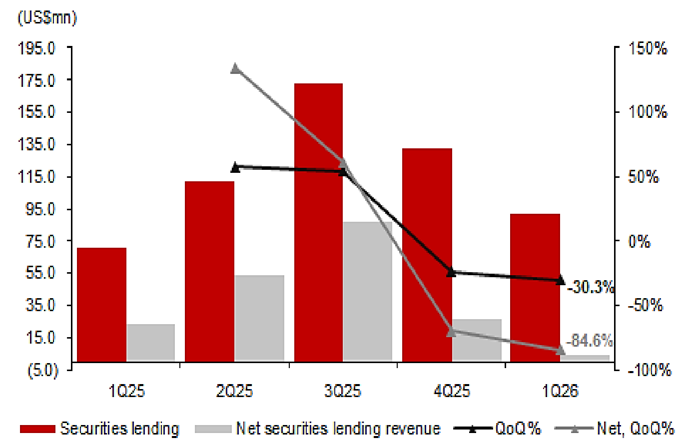
Source: Bloomberg, Wind, CMBIGM estimates
Note: Stock price data quoted by market close on May 19, 2026 (Tue).

Fig 2: Futu's FY26E P/E and ROE vs. major peers



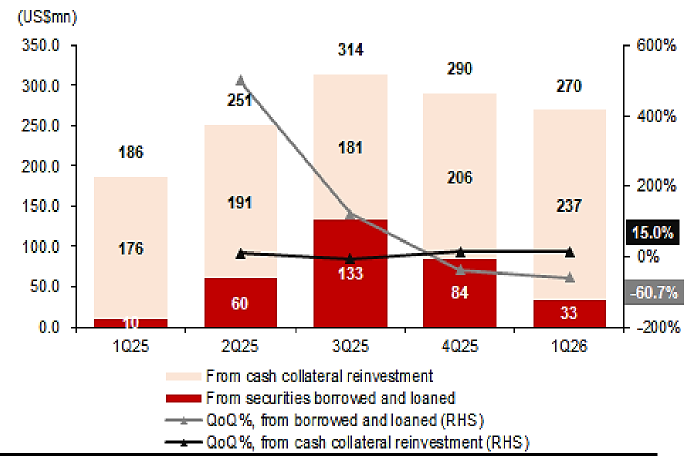
Source: Bloomberg, CMBIGM estimates
Note: The estimates of Futu's peer companies quoted from Bloomberg consensus.

Fig 3: HOOD securities lending revenue and QoQ%



Source: Company data, CMBIGM
Note: HOOD securities lending revenue is quoted from the company's monthly metrics.

Fig 4: IBKR net securities lending revenue and QoQ%



Source: Company data, CMBIGM
Note: IBKR net securities lending revenue is quoted from historical data from the company's earnings disclosure.

Financial Summary

INCOME STATEMENT	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (HK$ mn)						
Revenue	**10,008**	**13,590**	**22,847**	**25,241**	**28,818**	**32,715**
Cost of goods sold	(1,536)	(2,445)	(2,942)	(2,924)	(3,266)	(3,642)
Gross profit	**8,472**	**11,145**	**19,905**	**22,316**	**25,552**	**29,073**
Operating expenses	**(3,465)**	**(4,523)**	**(5,824)**	**(6,671)**	**(7,486)**	**(8,789)**
Selling expense	(710)	(1,409)	(1,980)	(1,952)	(1,861)	(2,081)
Admin expense	(1,313)	(1,620)	(1,935)	(2,427)	(2,839)	(3,321)
R&D expense	(1,441)	(1,494)	(1,909)	(2,293)	(2,787)	(3,387)
Operating profit	**5,007**	**6,622**	**14,081**	**15,645**	**18,066**	**20,284**
Other income	33	(86)	(367)	(30)	0	0
Pre-tax profit	**5,041**	**6,535**	**13,713**	**15,615**	**18,066**	**20,284**
Income tax	(748)	(998)	(2,360)	(2,558)	(2,959)	(3,323)
Others	(13)	(104)	(52)	87	100	113
Net profit	**4,281**	**5,443**	**11,338**	**13,226**	**15,302**	**17,180**
Adjusted net profit	**4,570**	**5,768**	**11,645**	**13,529**	**15,669**	**17,652**

BALANCE SHEET	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (HK$ mn)						
Cash & equivalents	4,938	11,688	10,466	24,994	35,953	47,766
Cash held on behalf of clients	44,369	68,640	113,398	133,251	155,245	172,487
Restricted cash	1	1	3	3	3	3
Receivables	10,148	22,843	27,670	31,642	36,197	41,352
Loans and advances	32,547	49,714	64,747	80,126	97,865	115,907
Prepaid assets	55	63	78	95	115	140
ST bank deposits	6	5	0	0	0	0
Other current assets	3,383	2,949	7,429	7,703	7,995	8,299
Right-of-use assets	224	253	570	74	29	7
Long-term investments	239	573	615	640	666	693
Other non-current assets	1,227	2,026	3,461	3,602	3,748	3,900
Total assets	**97,136**	**158,757**	**228,437**	**282,129**	**337,815**	**390,554**
Amounts due to related parties	69	79	67	67	67	67
Payables	64,654	117,174	166,019	207,681	244,784	277,264
Lease liabilities	238	277	594	594	594	594
Securities purchased under agreements to repurchase	0	2,575	4,743	4,743	4,743	4,743
Accrued expenses	1,939	4,937	4,527	5,320	6,198	6,886
Long-term borrowings	5,652	5,702	12,143	13,016	15,391	17,751
Other non-current liabilities	12	8	22	23	24	25
Total liabilities	**72,564**	**130,752**	**188,116**	**231,444**	**271,801**	**307,330**
Share capital	0	0	0	0	0	0
Retained earnings	11,361	14,653	25,991	36,273	51,480	68,553
Other reserves	13,208	13,358	14,010	14,010	14,010	14,010
Total shareholders' equity	**24,569**	**28,011**	**40,001**	**50,283**	**65,490**	**82,564**
Minority interest	3	(7)	320	402	524	660
Total equity and liabilities	**97,136**	**158,757**	**228,437**	**282,129**	**337,815**	**390,554**

CASH FLOW	2023A	2024A	2025A	2026E	2027E	2028E
YE 31 Dec (HK$ mn)						
Net change in cash	(6,474)	31,171	43,302	34,381	29,290	24,628
Cash at the beginning of the year	55,716	49,308	80,329	123,867	161,910	195,628
Exchange difference	66	(150)	236	0	0	0
Cash at the end of the year	**49,308**	**80,329**	**123,867**	**158,248**	**191,200**	**220,256**
PROFITABILITY	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
Gross profit margin (GPM)	84.7%	82.0%	87.1%	88.4%	88.7%	88.9%
Operating margin (OPM)	50.0%	48.7%	61.6%	62.0%	62.7%	62.0%
Non-GAAP net margin (Adj. NPM)	45.7%	42.4%	51.0%	53.6%	54.4%	54.0%
Return on equity (ROE)	18.8%	20.7%	33.3%	29.3%	26.4%	23.2%
VALUATION	**2023A**	**2024A**	**2025A**	**2026E**	**2027E**	**2028E**
YE 31 Dec						
P/E (x)	31.8	24.9	12.1	10.5	9.1	8.1
P/B (x)	5.7	5.0	3.5	2.8	2.2	1.7
EV/EBITDA (x)	20.7	16.1	7.9	7.0	6.0	5.3

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

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