



Company Report: CICC (03908 HK)

公司报告: 中金公司 (03908 HK)

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Alibaba and Haier Become the Company's New Shareholders, "Accumulate"

阿里巴巴与海尔成为公司新股东，“收集”

- Given relatively substantial YoY growth of turnover in the A-share market over the past few months of 2019 and the launch of China's science and technology innovation board (the "sci-tech innovation board") and Shanghai-London Stock Connect, we expect the Company's brokerage business to stay relatively stable in 2019. Considering the Company's strength in investment banking business and the positive influence from the CDR issuance and launch of the sci-tech innovation board, we expect the Company's investment banking business to record stable growth in 2019. **We expect EPS for FY19/ FY20/ FY21 to grow YoY by 12.2%/ 26.8%/ 15.0% to RMB 0.931/ RMB 1.180/ RMB 1.356, respectively.**
- We expect the following factors to support the Company's valuation in the near future: 1) We expect investment from Alibaba Group and the share transfer to Haier will help diversify the portfolio of investors of the Company and further optimize its shareholding structure. Alibaba and Haier will cooperate with the Company in areas of finance, science and technology, data, and other fields, which is projected to boost the development of relevant businesses further; and 2) the Company's strengths in investment banking business is projected to make it benefit from the CDR issuance and the launch of the sci-tech innovation board. Considering the current market valuation, **we revise up our TP for the Company from HK\$17.34 to HK\$20.09, which is equivalent to 19.0x/ 15.0x/ 13.0x 2019-2021 PER and 1.7x/ 1.5x/ 1.4x 2019-2021 PBR. Meanwhile, we maintain our "Accumulate" rating.**
- 在 2019 年过去几个月 A 股市场成交量同比较大幅度增长以及科创板与“沪伦通”推出的背景下，我们预计公司经纪业务 2019 年将维持相对平稳。考虑到公司在投行业务方面的优势以及 CDR 发行与科创板推出的正面影响，我们预计公司的投行业务 2019 年将录得平稳增长。**我们预测 2019/ 2020/ 2021 年每股收益分别同比增长 12.2%/ 26.8%/ 15.0% 至 0.931 元人民币、1.180 元人民币、1.356 元人民币。**
- 未来一段时间，我们预计以下因素将支撑公司的估值：1) 我们预计阿里巴巴集团的投资以及对海尔的股份转让将使公司投资者结构多元化并将使其股权结构进一步优化。阿里巴巴和海尔将会与公司在金融、科技、数据以及其他领域方面合作，预期将进一步推进相关业务发展；2) 公司在投行业务方面的优势预计将使其受益于 CDR 发行与科创板推出。考虑到当前市场估值，**我们将我们对公司的目标价从 17.34 港元上调至 20.09 港元，相当于 19.0 倍/15.0 倍/13.0 倍的 2019-2021 年市盈率以及 1.7 倍/1.5 倍/1.4 倍 2019-2021 年市净率。同时，我们维持对公司的“收集”投资评级。**

Rating: **Accumulate**
Maintained

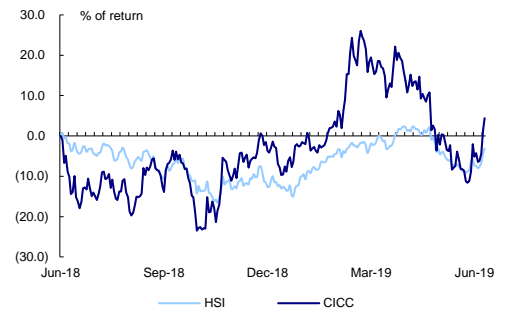
评级: **收集 (维持)**

6-18m TP 目标价: **HK\$20.09**
Revised from 原目标价: HK\$17.34

Share price 股价: **HK\$16.200**

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 %	8.1	(10.9)	5.5
Rel. % to HS Index 相对恒指变动 %	5.4	(8.3)	9.3
Avg. Share price(HK\$) 平均股价 (港元)	14.5	16.0	14.9

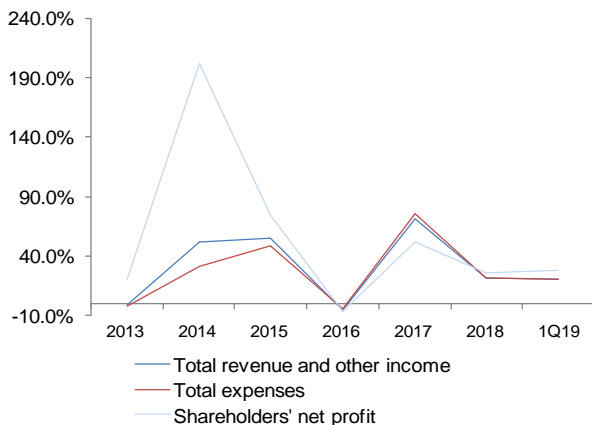
Source: Bloomberg, Guotai Junan International.

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)	(%)	(%)
2017A	15,260	2,766	0.760	(0.6)	17.7	8.960	1.5	0.168	1.2	8.8
2018A	18,540	3,492	0.830	9.2	17.1	9.823	1.4	0.160	1.1	8.9
2019F	21,193	3,959	0.931	12.2	15.3	10.726	1.3	0.182	1.3	9.1
2020F	24,451	5,003	1.180	26.7	12.1	11.860	1.2	0.230	1.6	10.4
2021F	27,604	5,744	1.356	14.9	10.5	13.124	1.1	0.265	1.9	10.9
Shares in issue (m) 总股数 (m)			4,192.7		Major shareholder 大股东					Huijin 46.2%
Market cap. (HK\$ m) 市值 (HK\$ m)			67,921.7		Free float (%) 自由流通比率 (%)					53.8
3 month average vol. 3 个月平均成交股数 ('000)			14,717.2		FY19 Net gearing (%) FY19 净负债/股东资金 (%)					255.1
52 Weeks high/low (HK\$) 52 周高/低 (HK\$)			20.000 / 11.360		FY19 Est. NAV (HK\$) FY19 每股估值 (港元)					20.2

Source: the Company, Guotai Junan International.

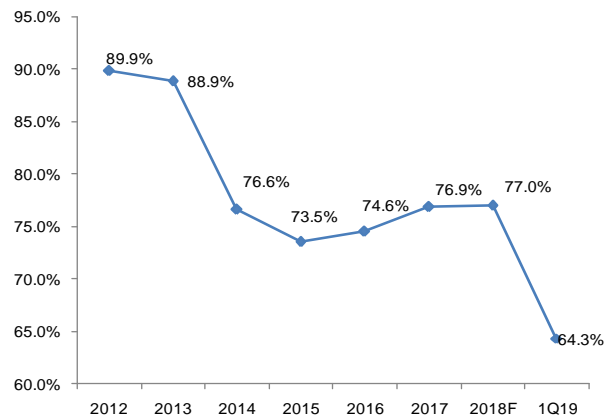
In 1Q19, the CICC's (the "Company") operating income and shareholders' net profit increased YoY by 19.9% and 27.7%, respectively. In 1Q19, the Company realized operating income of RMB3,240.9 mn, up 19.9% YoY. Net income from brokerage business, investment banking business, and asset management business decreased YoY by 6.5%, 1.3%, and increased YoY by 36.2% to RMB778.9 mn, RMB291.2 mn, and RMB133.7 mn, respectively. In 1Q19, the Company recorded investment income of RMB3,480.2 mn, up 549.0%, which was one of the main drivers for growth in operating income. The Company's changes in fair value recorded net loss of RMB1,583.4 mn, down RMB2,343.1 mn YoY. In 1Q19, the Company's total expenses amounted to RMB2,084.7 mn, up 19.9% YoY. The Company's cost-to-income ratio remained unchanged YoY at 64.3% and shareholders' net profit reached RMB908.5 mn, up 27.7% YoY. The Company realized EPS of RMB0.213, up 21.7% YoY. ROAE and net profit margin for 1Q19 amounted to 2.2% and 28.0%, representing an increase of 0.2 ppts YoY and 1.7 ppts YoY, respectively.

Figure-1: CICC – YoY growth of operating income, total expenses and net profit attributable to shareholders



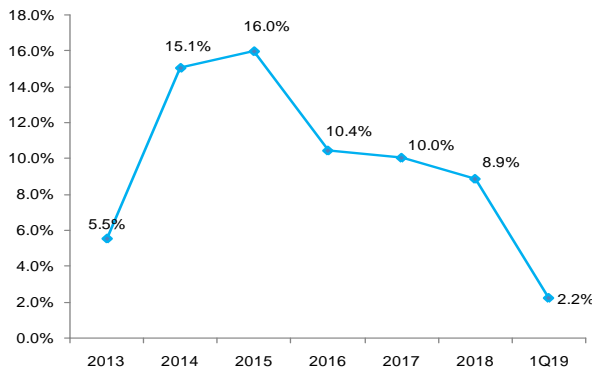
Source: the Company, Guotai Junan International.
Note: total revenue and other income for 1Q19 is operating income.

Figure-2: CICC – Cost-to-income ratio



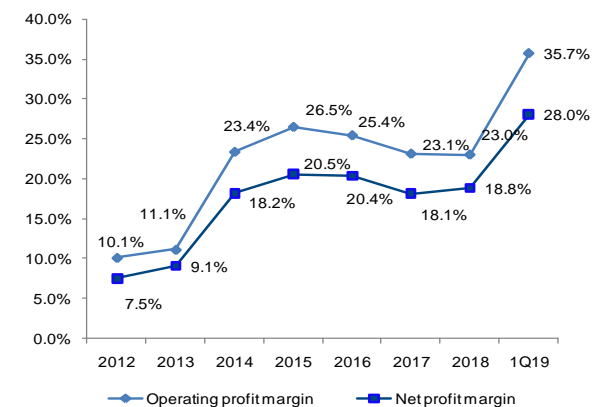
Source: the Company, Guotai Junan International.
Note: cost-to-income ratio for 1Q19 is calculated based on operating income.

Figure-3: CICC – ROAE



Source: the Company, Guotai Junan International.

Figure-4: CICC – Operating margin and net profit margin



Source: the Company, Guotai Junan International.
Note: operating profit margin and net profit margin for 1Q19 are calculated based on operating income.

We expect that the investment from Alibaba Group and the share transfer to Haier will boost the development of relevant businesses further. On February 19, 2019, Alibaba group announced that it had recently completed its investment in the Company, holding about 203 million shares in the Company's Hong Kong shares, accounting for 11.74% of the Company's Hong Kong shares, 4.84% of its total issued shares. Also, on March 11, 2019, Huijin completed the transfer of 398,500,000 domestic shares in the Company (representing approximately 9.5% of the total share capital of the Company) to Haier Group (Qingdao) Financial Holdings Ltd., an indirect subsidiary of Haier Group Corporation ("Haier"). We expect that the investment from Alibaba Group and the share transfer to Haier will help diversify the portfolio of investors of the Company and further optimize its shareholding structure. Alibaba and Haier will cooperate with the Company in finance, science and technology, data, and other fields, which is projected to boost the development of relevant businesses further.

We hold a prudent view on the outlook of A-shares for the rest of 2019. After recovery in 1Q19, the A-share market has fallen since mid-April 2019, mainly impacted by such factors as trade conflict. As of 20 June 2019, the Shanghai Composite Index (SCI) and Shenzhen Stock Exchange Composite Index (SZSE Composite Index) increased by 19.8% YTD and 26.2% YTD, respectively. The average daily A-share turnover in 1Q19 was around RMB592.6 bn, up nearly 25.1% YoY. As at June 19, 2019, the balance of margin financing and securities lending achieved around RMB908.0 bn, down nearly 3.8% YTD. Looking forward to the future, there are many favorable factors for China's steady economic development. Proactive fiscal policy and prudent monetary policy are gradually strengthening. Financial support for the real economy is consolidating and credit contraction easing. Large scale tax cuts and fee reductions are gradually becoming effective. The transformation of old drivers into new ones is accelerating. At the same time, structural deleveraging continues to be promoted and the prevention and control of financial risks has been effective. Therefore, although unfavorable factors such as increasing pressure from deceleration of world economic growth, trade conflict, and geopolitical risks still disturb China's economy, we expect that China's economy will still grow steadily and economic growth quality will continue to improve in the rest of 2019. Given that the US Federal Reserve interest rate hike has currently ceased, in order to stabilize economic growth, support the financing of small and micro enterprises and private enterprises, and control economic exposure, we expect that the PBOC will maintain prudent monetary policies and that China's liquidity conditions will be neutral and slightly loose in the rest of 2019. However, unfavorable factors such as the increased downward pressure on the Chinese economy, trade conflict, and geopolitical risk, are projected to still disturb the Chinese capital market. Therefore, we hold a prudent view on the outlook of A-shares for the rest of 2019.

We expect that equity financing in China will recover to a certain extent in 2019 compared with 2018. Given that the issuance and examination of equity financing remained strict and tightened, the size of total proceeds from IPOs and the size of funds raised from follow-on offerings in the A-share market declined YoY by 3.9% and 16.9% to around RMB49.8 bn and RMB287.4 bn, respectively, in 1-5M19. In the rest of 2019, we expect the issuance and examination of equity financing in the A-share market to remain strict and tightened. However, the Chinese Depository Receipt (CDR) issuance and the launch of the sci-tech innovation board are projected to contribute to the development of equity financing in China. Overall, we expect that equity financing in China will recover to a certain extent in 2019 compared with that in 2018.

We expect EPS for FY19/ FY20/ FY21 to grow YoY by 12.2%/ 26.8%/ 15.0% to RMB0.931/ RMB1.180/ RMB1.356, respectively. Given the relatively substantial YoY growth of the turnover in the A-share market over the past few months of 2019 and the launch of the sci-tech innovation board and Shanghai-London Stock Connect, we expect the Company's brokerage business to stay relatively stable in 2019. Considering the Company's strengths in investment banking business and the positive influence from the CDR issuance and the launch of the sci-tech innovation board, we expect the Company's investment banking business to record stable growth in 2019. We revise up our forecasts on shareholders' profit for FY19/ FY20 by 3.7%/ 6.9%, respectively. We expect shareholders' profit for FY19/ FY20/ FY21 to grow YoY by 13.4%/ 26.4%/ 14.8%, respectively. We expect EPS for FY19/ FY20/ FY21 to grow YoY by 12.2%/ 26.8%/ 15.0% to RMB0.931/ RMB1.180/ RMB1.356, respectively.

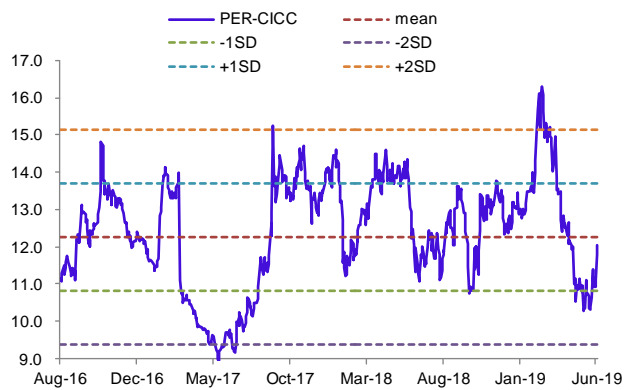
Table-1: Key Assumptions and Adjustments

RMB mn	New estimations			Change		2019F	2020F
	2019F	2020F	2021F	2019F	2020F		
Fee and commission income	9,417	10,533	11,963	10,392	12,184	(9.4%)	(13.5%)
Interest income	4,780	5,334	6,100	3,743	4,396	27.7%	21.3%
Net investment gains	6,670	8,224	9,146	5,726	6,948	16.5%	18.4%
Total revenue and other income	20,866	24,091	27,209	19,861	23,529	5.1%	2.4%
Staff costs	(7,100)	(8,191)	(9,247)	(7,027)	(8,318)	1.0%	(1.5%)
Fee and commission expenses	(924)	(1,034)	(1,174)	(1,098)	(1,334)	(15.8%)	(22.5%)
Interest expenses	(5,248)	(5,854)	(6,739)	(4,571)	(5,513)	14.8%	6.2%
Total expenses	(16,419)	(18,399)	(20,650)	(15,318)	(17,933)	7.2%	2.6%
Profit before tax	4,942	6,237	7,158	4,861	5,950	1.7%	4.8%
Profit after tax	4,003	5,052	5,798	3,867	4,734	3.5%	6.7%
Shareholders' profit	3,959	5,003	5,744	3,817	4,679	3.7%	6.9%
Basic EPS (RMB)	0.931	1.180	1.356	0.897	1.102	3.7%	7.0%

Source: the Company, Guotai Junan International.

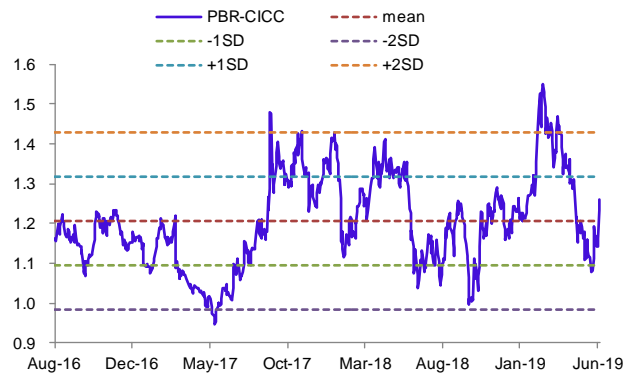
We revise up our TP from HK\$17.34 to HK\$20.09 and maintain "Accumulate" rating . According to our forecasts for FY19/ FY20/ FY21 financial results, CICC is currently trading at 15.3x 2019 PER and 12.1x 2020 PER, and 1.3x 2019 PBR and 1.2x 2020 PBR. We expect the following factors to support the Company's valuation in the near future: 1) We expect that the investment from Alibaba Group and the Share Transfer to Haier will help diversify the portfolio of investors of the Company and further optimize its shareholding structure and the new shareholders will cooperate with the Company in finance, science and technology, data and other fields, which is projected to boost the development of relevant businesses further; and 2) the Company's strength in investment banking business is projected to make it benefit from the CDR issuance and the launch of the sci-tech innovation board. Considering the current market valuation, we revise up our TP for the Company from HK\$17.34 to HK\$20.09, which is equivalent to 19.0x/ 15.0x/ 13.0x 2019-2021 PER and 1.7x/ 1.5x/ 1.4x 2019-2021 PBR. Meanwhile, we maintain our "Accumulate" rating.

Figure-5: CICC – Forward PER



Source: Bloomberg, Guotai Junan International.

Figure-6: CICC – Forward PBR



Source: Bloomberg, Guotai Junan International.

Major Risks

- 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 performance of the A-share market and overseas capital markets may possibly be beyond our expectation.
- Possible failure to meet regulatory requirements might lead to penalties for the Company's existing business or the delay to get approval for new innovative business applications.

Table-2: Peers Comparison

Company	Stock Code	CURR	Last price	PE				PB			ROE(%)		D/Y(%)	Market Cap
				18A	19F	20F	21F	18A	19F	20F	21F	19F	19F	HKD mil
Hong Kong -- mainly operating in HK														
Guotai Junan International	1788 HK	HKD	1.37	13.0	8.4	7.7	7.1	1.0	0.9	0.8	0.8	10.4	5.8	10,570
Haitong International Securi	665 HK	HKD	2.54	13.9	7.0	6.1	5.2	0.6	0.5	0.5	0.5	7.6	7.3	14,713
Sun Hung Kai & Co Ltd	86 HK	HKD	3.69	6.6	5.1	4.4	3.8	0.4	0.4	0.4	0.4	n.a.	7.0	7,398
Shenwan Hongyuan HK Ltd	218 HK	HKD	1.54	12.7	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	2,404
First Shanghai Investments	227 HK	HKD	0.51	21.7	n.a.	n.a.	n.a.	0.3	n.a.	n.a.	n.a.	n.a.	n.a.	724
Cisi Fin	6058 HK	HKD	0.64	17.8	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	2,560
Cmbc Capital Holdings Ltd	1141 HK	HKD	0.20	37.7	n.a.	n.a.	n.a.	5.1	n.a.	n.a.	n.a.	n.a.	n.a.	9,541
Bright Smart Securities And	1428 HK	HKD	1.61	5.3	6.2	n.a.	n.a.	1.0	0.9	n.a.	n.a.	15.9	4.0	2,733
Bocom International Holdings	3329 HK	HKD	1.35	9.0	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	3,691
Southwest Securities Interna	812 HK	HKD	0.11	n.a.	n.a.	n.a.	n.a.	9.4	n.a.	n.a.	n.a.	n.a.	n.a.	395
Simple Average				15.3	6.7	6.1	5.4	1.9	0.7	0.6	0.5	11.3	6.0	
Weighted Average				16.4	7.0	6.2	5.5	1.5	0.7	0.6	0.5	9.5	6.5	
Hong Kong -- mainly operating in mainland China														
Citic Securities Co Ltd-H	6030 HK	HKD	16.02	17.5	12.6	11.6	10.0	1.1	1.0	1.0	0.9	8.6	3.2	295,060
Haitong Securities Co Ltd-H	6837 HK	HKD	8.79	16.5	10.5	9.4	8.0	0.8	0.7	0.7	0.6	6.8	3.1	159,321
Gf Securities Co Ltd-H	1776 HK	HKD	9.38	14.1	9.2	8.1	7.6	0.7	0.7	0.6	0.6	7.3	4.0	107,612
Huatai Securities Co Ltd-H	6886 HK	HKD	13.68	17.5	12.0	10.8	9.6	1.0	0.9	0.8	0.8	7.7	3.4	208,512
China Galaxy Securities Co-H	6881 HK	HKD	4.57	13.8	9.4	9.0	8.3	0.6	0.6	0.6	0.5	6.2	3.4	109,033
Central China Securities C-H	1375 HK	HKD	1.82	76.7	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	18,424
Guolian Securities Co Ltd-H	1456 HK	HKD	2.56	72.0	n.a.	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	n.a.	n.a.	4,870
Hengtai Securities Co Ltd-H	1476 HK	HKD	3.55	n.a.	n.a.	n.a.	n.a.	1.0	n.a.	n.a.	n.a.	n.a.	n.a.	9,246
China International Capita-H	3908 HK	HKD	16.20	16.5	13.2	11.1	9.5	1.4	1.3	1.2	1.1	10.3	1.6	67,921
Dfzq-H	3958 HK	HKD	5.23	24.5	10.1	9.1	8.9	0.6	0.6	0.5	0.5	5.0	4.1	78,705
Everbright Securities Co L-H	6178 HK	HKD	6.07	228.5	9.1	7.8	7.4	0.5	0.5	0.5	0.4	4.6	3.1	54,473
China Merchants Securities-H	6099 HK	HKD	9.60	15.0	10.1	9.3	9.0	0.7	0.8	0.7	0.7	7.7	3.9	118,891
Csc Financial Co Ltd-H	6066 HK	HKD	6.15	14.0	8.9	8.4	7.4	1.0	0.9	0.8	0.7	9.9	3.5	170,105
Guotai Junan Securities Co-H	2611 HK	HKD	13.80	16.6	11.0	9.9	9.5	0.9	0.9	0.8	0.8	8.0	3.7	170,115
Simple Average				41.8	10.6	9.5	8.7	0.8	0.8	0.8	0.7	7.4	3.4	
Weighted Average				24.8	10.8	9.8	8.9	0.9	0.8	0.8	0.7	7.8	3.4	
China														
Citic Securities Co-A	600030 CH	CNY	23.05	29.9	20.4	18.1	16.1	1.8	1.7	1.6	1.5	8.8	2.0	295,062
Guotai Junan Securities Co-A	601211 CH	CNY	17.61	25.2	15.5	14.0	13.4	1.4	1.2	1.1	1.0	8.1	2.5	170,117
Shenwan Hongyuan Group Co-A	000166 CH	CNY	5.12	26.9	21.1	17.5	3.0	1.7	1.6	1.4	1.0	7.4	1.0	139,418
Haitong Securities Co Ltd-A	600837 CH	CNY	14.02	31.2	19.0	17.0	15.6	1.4	1.3	1.2	1.1	6.8	1.8	159,322
Guosen Securities Co Ltd-A	002736 CH	CNY	12.68	33.4	20.8	16.7	n.a.	2.2	2.0	1.8	n.a.	8.7	n.a.	118,548
Gf Securities Co Ltd-A	000776 CH	CNY	13.58	24.3	15.0	13.2	12.4	1.2	1.1	1.1	1.0	7.8	2.4	107,613
Orient Securities Co Ltd-A	600958 CH	CNY	10.78	59.9	26.7	23.2	22.3	1.5	1.4	1.3	1.3	4.8	1.7	78,706
Huatai Securities Co Ltd-A	601688 CH	CNY	22.28	33.8	22.7	20.7	18.8	1.8	1.7	1.6	1.5	7.5	1.7	208,513
China Merchants Securities-A	600999 CH	CNY	16.79	31.1	19.3	17.4	16.5	1.4	1.5	1.4	1.3	7.7	2.1	118,892
Everbright Securitie Co -A	601788 CH	CNY	11.27	503.1	19.3	16.6	16.8	1.1	1.0	1.0	1.0	5.0	1.5	54,473
Changjiang Securities Co L-A	000783 CH	CNY	7.60	152.0	21.8	18.0	19.5	1.6	1.5	1.4	1.3	6.8	1.1	47,914
Sinolink Securities Co Ltd-A	600109 CH	CNY	9.69	29.0	21.1	17.4	15.9	1.5	1.4	1.3	1.2	6.7	1.0	33,413
Southwest Securities Co Lt-A	600369 CH	CNY	5.06	126.5	28.9	22.5	n.a.	1.5	1.5	1.4	n.a.	4.3	n.a.	32,568
Guoyuan Securities Co Ltd-A	000728 CH	CNY	9.40	47.0	27.6	24.1	n.a.	1.3	1.3	1.2	n.a.	2.3	1.2	36,069
Pacific Securities Co/The-A	601099 CH	CNY	3.63	n.a.	n.a.	n.a.	n.a.	2.4	n.a.	n.a.	n.a.	n.a.	n.a.	28,211
Northeast Securities Co Lt-A	000686 CH	CNY	8.91	68.5	12.6	11.3	11.4	1.4	1.2	1.0	0.9	9.1	n.a.	23,776
Industrial Securities Co-A	601377 CH	CNY	6.62	331.0	19.7	16.6	15.3	1.4	1.3	1.2	1.1	6.6	1.8	50,545
Shanxi Securities Co Ltd-A	002500 CH	CNY	8.38	104.8	n.a.	n.a.	n.a.	1.9	n.a.	n.a.	n.a.	n.a.	n.a.	27,027
Sealand Securities Co Ltd -A	000750 CH	CNY	5.23	261.5	n.a.	n.a.	n.a.	1.6	n.a.	n.a.	n.a.	n.a.	n.a.	25,137
Founder Securities Co Ltd-A	601901 CH	CNY	7.25	90.6	33.0	25.0	n.a.	1.6	1.5	1.4	n.a.	3.9	0.1	68,047

Soochow Securities Co Ltd-A	601555 CH	CNY	10.52	87.7	19.0	17.7	15.7	1.6	1.4	1.3	1.2	7.8	1.4	35,983
Western Securities Co Ltd-A	002673 CH	CNY	10.42	182.2	n.a.	n.a.	n.a.	2.1	n.a.	n.a.	n.a.	4.2	n.a.	41,603
Dongxing Securities Co Lt-A	601198 CH	CNY	11.95	32.7	18.4	15.9	n.a.	1.7	n.a.	n.a.	n.a.	8.3	n.a.	37,577
Sdic Capital Co Ltd-A	600061 CH	CNY	14.71	36.8	24.9	23.0	22.3	1.7	1.6	1.5	1.4	6.2	n.a.	70,896
First Capital Securities C-A	002797 CH	CNY	6.57	182.5	46.9	43.8	38.6	2.6	2.3	2.2	2.0	4.3	n.a.	26,236
Central China Securities C-A	601375 CH	CNY	5.33	266.5	n.a.	n.a.	n.a.	2.1	n.a.	n.a.	n.a.	1.0	n.a.	18,424
China Galaxy Securities Co-A	601881 CH	CNY	12.54	44.8	31.1	29.6	27.6	1.9	1.8	1.7	1.6	5.6	1.0	109,034
Simple Average				109.3	23.0	20.0	17.7	1.7	1.5	1.4	1.3	6.2	1.5	
Weighted Average				69.5	21.7	19.0	16.5	1.6	1.5	1.4	1.3	7.0	1.7	
Taiwan														
Yuanta Financial Holding Co	2885 TT	TWD	18.85	11.9	11.0	10.5	10.3	1.0	0.9	0.9	0.8	8.9	4.5	55,539
Sinopac Financial Holdings	2890 TT	TWD	12.95	15.4	13.6	13.2	12.1	1.0	1.0	1.0	1.0	7.4	4.4	36,800
Simple Average				13.6	12.3	11.9	11.2	1.0	1.0	0.9	0.9	8.2	4.5	
Weighted Average				13.3	12.1	11.6	11.0	1.0	1.0	0.9	0.9	8.3	4.5	
Korea														
Mirae Asset Daewoo Co Ltd	006800 KS	KRW	7,980.00	12.1	9.8	9.2	8.8	0.6	0.6	0.6	0.5	6.4	3.0	35,357
Samsung Securities Co Ltd	016360 KS	KRW	37,350.00	10.0	9.2	8.8	8.4	0.7	0.7	0.7	0.6	7.6	4.1	22,448
Korea Investment Holdings Co	071050 KS	KRW	79,200.00	8.7	7.0	7.0	6.6	1.0	0.9	0.9	0.8	13.9	2.6	29,704
Nh Investment & Securities C	005940 KS	KRW	14,450.00	12.0	9.5	9.2	8.8	0.8	0.8	0.8	0.7	8.6	4.1	27,368
Simple Average				10.7	8.9	8.6	8.1	0.8	0.8	0.7	0.7	9.1	3.4	
Weighted Average				10.8	8.9	8.6	8.1	0.8	0.8	0.7	0.7	9.1	3.4	
Japan														
Nomura Holdings Inc	8604 JP	JPY	377.50	6.0	n.a.	10.9	8.2	0.5	0.5	0.5	0.4	(3.7)	1.5	95,630
Daiwa Securities Group Inc	8601 JP	JPY	481.50	7.2	12.1	10.1	8.9	0.6	0.6	0.6	0.6	5.0	3.9	59,333
Mizuho Financial Group Inc	8411 JP	JPY	154.10	6.8	40.6	8.1	7.9	0.4	0.4	0.4	0.4	1.1	4.4	283,738
Simple Average				6.7	26.3	9.7	8.3	0.5	0.5	0.5	0.5	0.8	3.3	
Weighted Average				6.7	35.6	8.9	8.1	0.5	0.5	0.5	0.4	0.6	3.7	
U.S.														
Jpmorgan Chase & Co	JPM US	USD	109.91	12.2	11.0	10.3	9.7	1.6	1.5	1.4	1.3	14.0	3.1	2,786,257
Bank Of America Corp	BAC US	USD	28.32	10.7	9.9	9.0	8.3	1.1	1.1	1.0	0.9	11.2	2.4	2,104,255
Citigroup Inc	C US	USD	67.59	10.1	8.9	7.9	7.2	0.9	0.8	0.8	0.7	9.5	2.9	1,221,420
Goldman Sachs Group Inc	GS US	USD	195.64	7.6	8.4	7.7	7.3	0.9	0.9	0.8	0.8	10.7	1.7	581,635
Morgan Stanley	MS US	USD	43.14	9.0	8.6	7.9	7.2	1.0	1.0	0.9	0.8	11.4	3.0	567,118
Simple Average				9.9	9.4	8.6	8.0	1.1	1.0	1.0	0.9	11.4	2.6	
Weighted Average				10.8	9.9	9.1	8.5	1.2	1.2	1.1	1.0	12.0	2.7	
Europe														
Ubs Group Ag-Reg	UBSG SW	CHF	11.70	9.9	9.7	8.4	7.7	0.8	0.8	0.8	0.8	7.8	6.2	357,410
Credit Suisse Group Ag-Reg	CSGN SW	CHF	11.71	14.8	8.9	7.5	6.6	0.7	0.7	0.6	0.6	7.5	2.4	236,830
Deutsche Bank Ag-Registered	DBK GR	EUR	6.41	n.a.	13.7	9.0	6.8	0.2	0.2	0.2	0.2	1.5	2.6	116,859
Barclays Plc	BARC LN	GBp	150.88	16.1	6.9	6.2	5.6	0.5	0.5	0.4	0.4	6.8	5.0	258,464
Bnp Paribas	BNP FP	EUR	41.74	7.3	7.2	6.6	6.3	0.6	0.5	0.5	0.5	7.6	7.2	460,357
Simple Average				12.0	9.3	7.6	6.6	0.6	0.5	0.5	0.5	6.2	4.7	
Weighted Average				11.1	8.6	7.3	6.6	0.6	0.6	0.6	0.5	7.0	5.4	

Source: Bloomberg, Guotai Junan International.

Financial Statements and Ratios

Income Statement						Balance Sheet					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F	Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F
Fee and commission income	8,282	8,820	9,417	10,533	11,963	Fixed assets	475	597	609	621	634
Interest income	2,980	4,587	4,780	5,334	6,100	Intangibles	227	272	278	292	306
Net investment gains	4,008	4,871	6,670	8,224	9,146	Financial assets	133,795	175,567	204,661	228,139	254,346
Total revenue	15,270	18,278	20,866	24,091	27,209	Asso. and JVs	1,128	1,267	1,406	1,547	1,702
Other income	(10)	261	327	359	395	Margin accounts receivable	21,883	17,716	23,332	28,216	34,121
Total rev. and other inc.	15,260	18,540	21,193	24,451	27,604	Receivables	10,872	11,879	21,188	20,540	23,328
D&A	(230)	(302)	(357)	(368)	(384)	Refundable deposits	2,785	3,490	5,026	5,409	6,653
Staff costs	(5,522)	(5,738)	(7,100)	(8,191)	(9,247)	Cash balance-customers	44,226	37,903	47,544	58,479	71,929
Fee and commission expenses	(822)	(869)	(924)	(1,034)	(1,174)	Cash & cash equivalents	18,131	22,424	26,147	24,611	23,831
Interest expenses	(3,268)	(4,871)	(5,248)	(5,854)	(6,739)	Goodwill	1,583	1,583	1,583	1,583	1,583
Other expenses	(1,887)	(2,492)	(2,790)	(2,952)	(3,106)	Others	2,706	2,722	4,521	4,644	4,778
Total expenses	(11,730)	(14,271)	(16,419)	(18,399)	(20,650)	Total Assets	237,812	275,421	336,294	374,079	423,210
Operating profit	3,531	4,269	4,774	6,052	6,954	A/P to brokerage clients	47,347	41,318	59,617	68,642	80,566
Share of P/L of asso. & JV	71	119	168	185	204	Due to Financial institutions	10,281	8,534	17,921	19,713	22,079
Profit before tax	3,601	4,387	4,942	6,237	7,158	Repos	30,654	48,651	44,272	50,028	56,531
Income tax	(790)	(853)	(939)	(1,185)	(1,360)	Bonds and other financing	62,629	78,132	81,826	90,009	99,011
Profit after tax	2,811	3,535	4,003	5,052	5,798	Financial liabilities	15,643	18,475	32,490	35,943	41,609
Non-controlling interest	(45)	(42)	(45)	(49)	(54)	Others	34,367	37,933	53,968	58,753	67,078
Shareholders' profit / loss	2,766	3,492	3,959	5,003	5,744	Total Liabilities	200,920	233,044	290,093	323,088	366,873
Basic EPS	0.760	0.830	0.931	1.180	1.356	Total Shareholders' Equity	36,707	42,184	45,972	50,724	56,025
						Minority Interest	186	193	229	268	311
						Total Equity	36,892	42,377	46,201	50,992	56,336

Cash Flow Statement					
Year end 31 Dec (RMB m)	2017A	2018A	2019F	2020F	2021F
PBT	3,601	4,387	4,942	6,237	7,158
Interest expenses	1,766	3,048	3,284	3,663	4,217
D&A	230	302	357	368	384
Financial investment gains	(314)	(1,199)	(603)	(730)	(808)
Impairment G/L	(59)	74	66	83	88
Others	139	(93)	23	24	25
Change in working capital	(34,783)	(12,631)	(1,124)	(11,921)	(12,298)
Income tax paid	(1,065)	(479)	(610)	(770)	(884)
Cash from operating activities	(30,485)	(6,590)	6,336	(3,045)	(2,118)
Div and int. received	0	0	174	201	223
PP&E and intangibles	(302)	(447)	(413)	(422)	(431)
Financial investments	396	(1,290)	(1,657)	(1,822)	(2,011)
Proceeds from acq. of CISC	7,632	0	0	0	0
Cash from investing activities	7,726	(1,737)	(1,896)	(2,043)	(2,219)
Debt financing	33,124	13,861	3,215	7,928	8,720
Equity financing	0	2,309	0	0	0
Other financing activities	(188)	(126)	(230)	(237)	(246)
Interest paid on financings	(1,011)	(2,801)	(3,284)	(3,663)	(4,217)
Capital from minority	3	1	0	0	0
Dividends paid to shareholders	(638)	(671)	(671)	(762)	(966)
Special dividend to Huijin	(736)	0	0	0	0
Cash from financing activities	30,554	12,573	(970)	3,266	3,291
Net changes in cash	7,795	4,245	3,470	(1,822)	(1,046)
Cash at beg of year	9,899	17,412	21,955	25,692	24,111
FX adjustments	(282)	297	267	241	217
Cash at end of year	17,412	21,955	25,692	24,111	23,281
Cash and bank balance	18,131	22,424	26,147	24,611	23,831
Restricted bank deposits	719	413	454	500	550

Financial Ratios					
	2017A	2018A	2019F	2020F	2021F
A shr. market ADT (RMB bn)	463	373	417	513	631
A shr. market margin balance (RMB bn)	1,026	756	907	1,088	1,306
A shr. market equity financing (RMB bn)	1,506	980	1,112	1,217	1,331
Basic EPS (RMB)	0.760	0.830	0.931	1.180	1.356
BPS (RMB)	8.960	9.823	10.726	11.860	13.124
DPS (RMB)	0.168	0.160	0.182	0.230	0.265
Operating margin	23.1%	23.0%	22.5%	24.8%	25.2%
Net profit margin	18.1%	18.8%	18.7%	20.5%	20.8%
Cost to income ratio	76.9%	77.0%	77.5%	75.2%	74.8%
Gearing ratio	516.3%	552.4%	598.9%	599.0%	608.2%
Total rev. and other inc. growth	70.7%	21.5%	14.3%	15.4%	12.9%
Operating profit growth	55.2%	20.9%	11.8%	26.8%	14.9%
Net profit growth	52.0%	26.2%	13.4%	26.4%	14.8%
Basic EPS growth	(0.6%)	9.2%	12.2%	26.8%	15.0%
BPS growth	18.5%	9.6%	9.2%	10.6%	10.7%
ROAA	1.7%	1.4%	1.3%	1.4%	1.5%
ROAE	8.8%	8.9%	9.1%	10.4%	10.9%
Dividend yield	1.2%	1.1%	1.3%	1.6%	1.9%
P/E (x)	17.7	17.1	15.3	12.1	10.5
P/B (x)	1.4	1.3	1.2	1.1	1.4

Source: the Company, Guotai Junan International.

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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