

Futu Holdings

4Q miss, forward guidance beat

Reiterate Rating: BUY | PO: 62.80 USD | Price: 56.40 USD

4Q23: headline profit missed, but underlying trends solid

Futu's 4Q GAAP net profit declined 20% QoQ/9% YoY to HKD876mn, miss consensus by 10%. 4Q23 revenue dropped 10% QoQ or rose 4% YoY to HKD2.4bn, miss by 3%. They were mainly dragged by 1) weak trading velocity (annualized at 8.0x only in 4Q, the lowest level in history) against weak HK market and lower turnover of key US tech names (investors probably buy and hold to enjoy the rally without active trading), and 2) decrease in daily average idle cash balance. However, the underlying trends remained solid with new paying clients at 59k in 4Q (vs consensus of 50k) and client assets up 3.7% QoQ to HKD486bn (robust net asset inflows across all regions; vs consensus of HKD477bn). Futu also announced a new USD500mn buyback program. We reiterate Buy on Futu for encouraging developments in overseas markets and new products.

1Q24: strong YTD trend, expect revenue/profit to rebound

According to management guidance, Futu saw strong paying client growth across all markets YTD as US markets posted new highs and HK/China markets rebounded. In the first two months of 1Q24, new paying clients and net asset inflow have already exceeded those in 4Q23. Client quality is improving. SG avg. client assets rose 17% QoQ to >SGD17k (SG achieved breakeven in 4Q23 and UE continued to improve in 1Q24). Other int'l markets (US/AU/JP) also saw improvement in avg client assets. >1/3 of the net asset inflow in 1Q is from int'l markets. Trading velocity rebounded for HK and US markets in 1Q24, probably back to 3Q23 level (9.3x). MFSL rebounded while idle cash as % of total client assets stabilized in 1Q24, thus likely higher sequential interest income. We expect revenue/profit to rebound around 10%/20% to >RMB2.5bn/1bn in 1Q24.

FY24: 350k new paying clients with controlled CAC

Futu guided 350k new paying clients in 2024, beating the most optimistic expectations we've known, with existing markets (HK/SG/US/AU) contributing similar amount as 2023 (~210k) and new markets (JP/CA/MY, mainly JP/MY) the rest. It expected CAC to decline 10-20% YoY in 2024 as JP has a regulatory cap on CAC, while MY can leverage the brand built in SG. Futu will provide Japan stock trading for JP clients in 1Q24 and HK/SG clients in 2Q24. It also intends to provide crypto trading services around mid this year.

Estimates (Dec) (HK\$)	2022A	2023A	2024E	2025E	2026E
Net Income (Adjusted - mn)	2,927	4,279	4,822	5,753	6,216
EPS	20.55	30.98	35.16	41.95	45.32
EPS Change (YoY)	9.8%	50.7%	13.5%	19.3%	8.0%
Dividend / Share	0	0	0	0	0
Book Value / Share	134.74	158.69	189.83	226.99	236.83
Valuation (Dec)					
P/E	21.4x	14.2x	12.5x	10.5x	9.7x
P/B	3.3x	2.8x	2.3x	1.9x	1.9x

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Refer to important disclosures on page 9 to 11. Analyst Certification on page 6. Price Objective Basis/Risk on page 6.

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Equity

Emma Xu >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 8165
emma.xu@bofa.com

Michael Li >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 7381
m.li@bofa.com

Winnie Wu >>
Research Analyst
Merrill Lynch (Hong Kong)
+852 3508 3058
winnie.wu@bofa.com

Stock Data

Price	56.40 USD
Price Objective	62.80 USD
Date Established	28-Aug-2023
Investment Opinion	C-1-9
52-Week Range	35.91 USD-67.49 USD
Mkt Val / Shares Out (mn)	8,732 USD / 154.8
Average Daily Value (mn)	73.76 USD
Free Float	43.2%
BofA Ticker / Exchange	FUTU / NAS
Bloomberg / Reuters	FUTU US / FUTU.OQ
ROE (2024E)	17.9%

Avg.: average

CAC: Client Acquisition Cost

G&A: General and Administrative

Int'l: international

MFSL: Margin Financing and Securities

Lending

Mkts: Markets

R&D: Research and Development

S&M: Selling & marketing

UE: Unit Economic

WM: Wealth Management

AU: Australia, CA: Canada, HK: Hong Kong,

JP: Japan, MY: Malaysia, SG: Singapore, US:

United States

iQprofileSM Futu Holdings

Key Income Statement Data (Dec)	2022A	2023A	2024E	2025E	2026E
(HK\$ Millions)					
Net Interest Income	2,922	4,626	4,667	4,836	4,787
Net Fee Income	0	0	0	0	0
Securities Gains / (Losses)	3,678	3,695	4,636	5,528	6,230
Other Income	18.22	151.31	333.78	370.07	357.70
Total Non-Interest Income	3,696	3,847	4,970	5,898	6,588
Total Operating Income	6,618	8,472	9,637	10,734	11,374
Operating Expenses	(3,049)	(3,465)	(4,030)	(4,045)	(4,147)
Pre-Provision Profit	3,569	5,007	5,607	6,689	7,227
Provisions Expense	NA	NA	NA	NA	NA
Operating Profit	3,569	5,007	5,607	6,689	7,227
Non-Operating Income	(210.30)	33.44	0	0	0
Pre-Tax Income	3,359	5,041	5,607	6,689	7,227
Net Income to Comm S/Hold.	2,927	4,279	4,822	5,753	6,216
Adjusted Net Income (Operating)	2,927	4,279	4,822	5,753	6,216

Key Balance Sheet Data					
Total Assets	94,503	97,136	115,917	129,739	132,980
Average Interest Earning Assets	NA	NA	NA	NA	NA
Weighted Risk Assets	NA	NA	NA	NA	NA
Total Gross Customer Loans	26,676	32,528	39,259	44,326	45,499
Total Customer Deposits	NA	NA	NA	NA	NA
Tier 1 Capital	NA	NA	NA	NA	NA
Tangible Equity	20,862	24,569	29,391	35,144	36,668
Common Shareholders' Equity	20,862	24,569	29,391	35,144	36,668

Key Metrics					
Net Interest Margin	NA	NA	NA	NA	NA
Tier 1 Ratio	NA	NA	NA	NA	NA
Effective Tax Rate	12.3%	14.8%	14.0%	14.0%	14.0%
Loan / Assets Ratio	28.2%	33.5%	33.9%	34.2%	34.2%
Loan / Deposit Ratio	NA	NA	NA	NA	NA
Oper Leverage (Inc Growth - Cost Growth)	0.2%	14.4%	-2.6%	11.0%	3.4%
Gearing (Assets / Equity)	4.5x	4.0x	3.9x	3.7x	3.6x
Tangible Common Equity / Assets	22.1%	25.3%	25.4%	27.1%	27.6%
Tangible Common Equity / WRAs	NA	NA	NA	NA	NA
Revenue Growth	12.0%	28.0%	13.7%	11.4%	6.0%
Operating Expense Growth	11.8%	13.6%	16.3%	0.4%	2.5%
Provisions Expense Growth	NA	NA	NA	NA	NA
Operating Revenue / Average Assets	6.8%	8.8%	9.0%	8.7%	8.7%
Operating Expenses / Average Assets	3.1%	3.6%	3.8%	3.3%	3.2%
Pre-Provision ROA	3.6%	5.2%	5.3%	5.4%	5.5%
ROA	3.0%	4.5%	4.5%	4.7%	4.7%
Pre-Provision ROE	17.1%	22.0%	20.8%	20.7%	20.1%
ROE	14.0%	18.8%	17.9%	17.8%	17.3%
RoTE	14.0%	17.4%	16.4%	16.4%	17.0%
RoWRAs	NA	NA	NA	NA	NA
Dividend Payout Ratio	0%	0%	0%	0%	0%
Efficiency Ratio	103.7%	72.5%	80.6%	77.7%	80.6%
Headline Cost/Income Ratio	46.1%	40.9%	41.8%	37.7%	36.5%
Total Non-Interest Inc / Operating Inc	56%	45%	52%	55%	58%
Market-Related Revenue / Total Revenues	55.6%	43.6%	48.1%	51.5%	54.8%
Provisioning Burden as % of PPP	NA	NA	NA	NA	NA
NPLs plus Foreclosed Real Estate / Loans	0%	0%	0%	0%	0%
Loan Loss Reserves / NPLs	NA	NA	NA	NA	NA
Loan Loss Reserves / Total Loans	NA	NA	NA	NA	NA
Provisions Expense / Average Loans	NA	NA	NA	NA	NA

Other Metrics					
Income / Employee	1.28	0	0	0	0
(Operating Expenses) / Employee	(1.10)	0	0	0	0
Pre-Provision Profit / Employee	1.28	0	0	0	0
Net Profit / Employee	1.05	0	0	0	0

Company Sector

Securities Broker/Dealer

Company Description

Futu is a well-rounded online financial services platform, providing trading, wealth management, market data and information, social collaboration and corporate services. It mainly serves mainland China/HK population's investment demand in HK/US, and is expanding globally. It had 20.5mn users, 3.4mn registered clients and 1.6mn paying clients by 2Q23. Mr. Leaf Li, the founder, Chairman and CEO of Futu, is the largest shareholder. Tencent is a strategic partner and the second-largest shareholder.

Investment Rationale

We rate Futu at Buy on trough sentiment and valuation (given stable China client base, historical low trading velocity, strong 2024E profits, and share buyback) as well as encouraging progress in HK and overseas markets.

Stock Data

Price to Book Value

2.3x

4Q23 operational and financial data

Futu's 4Q **GAAP net profit** declined 20% QoQ/9% YoY to HKD876mn. Its **revenue** declined 10% QoQ or rose 4% YoY to HKD2,373mn. **New paying clients** fell 9% QoQ to 59k, with client acquisition slowing down in HK amid sluggish market but sustaining momentum in SG due to heightened interest in Money Market Funds. **Client assets** rose 3.7% QoQ to HKD486bn thanks to robust net asset inflow across all regions and US stock appreciation. **Daily avg. client assets** fell 2.1% QoQ to HKD481bn. **Annualized trading velocity** declined to 8.0x only, the lowest level in history, against weak HK market and lower turnover of key US tech names (investors probably buy and hold to enjoy the rally without active trading). **Trading volume** dropped 12% QoQ to HKD957mn with US/HK market contributing 74%/25% of total. **Commission rate** rebounded 0.2bp QoQ to 9.5bp. **Interest income** fell 11% QoQ and net interest income fell 13% QoQ. **MFSL balance** rebounded 2.2% QoQ to HKD30.3bn, accounting for 6.8% of total client assets. **Client WM assets** rose 11% QoQ to HKD57.6bn, accounting for 11.9% of total client assets. **Client idle cash** as % of total client assets edged down to 9.1% in 4Q. **S&M expenses** fell 14% QoQ on less client acquisition and lower **CAC** (-6% QoQ to HKD3k). **R&D cost** edged up 1% QoQ, while **G&A cost** rose 15% QoQ on seasonality. **Gross/net profit margin** fell 2ppt/4ppt QoQ to 82%/37% in 4Q.

Exhibit 1: Futu's quarterly operating metrics and financial metrics
2020-2023

	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23	4Q23	2023
Key operating metrics															
# of users (k)	14,200	15,500	16,600	17,400	17,400	18,100	18,600	19,200	19,600	19,600	20,000	20,500	21,100	21,600	21,600
# of registered clients (k)	1,957	2,316	2,580	2,751	2,751	2,911	3,022	3,133	3,232	3,232	3,305	3,396	3,490	3,562	3,562
# of paying clients (k)	790	1,001	1,167	1,244	1,244	1,326	1,387	1,445	1,487	1,487	1,528	1,586	1,651	1,710	1,710
Growth (YoY)	+231.0%	+230.2%	+179.2%	+140.8%	+140.8%	+67.9%	+38.6%	+23.8%	+19.5%	+19.5%	+15.2%	+14.3%	+14.2%	+15.0%	+15.0%
Growth (QoQ)	+52.8%	+26.7%	+16.6%	+6.6%		+6.6%	+4.6%	+4.2%	+2.9%		+2.8%	+6.7%	+8.0%	+7.8%	
# of new paying clients (k)	273	211	166	77		82	61	58	42		41	58	65	59	
Client assets (HKD bn)	462	503	424	408	408	386	434	370	418	418	466	466	468	486	486
Growth (YoY)	+367.8%	+253.4%	+111.0%	+43.0%	+43.0%	-16.5%	-13.8%	-12.8%	+2.4%	+2.4%	+20.6%	+7.5%	+26.7%	+16.3%	+16.3%
Growth (QoQ)	+62.1%	+8.9%	-15.8%	-3.8%		-5.3%	+12.3%	-14.8%	+13.0%		+11.5%	+11.7%	+0.6%	+4.2%	
Avg. assets per paying client (HKD mn)															
Period-end	0.59	0.50	0.36	0.33	0.33	0.29	0.31	0.26	0.28	0.28	0.30	0.29	0.28	0.28	0.28
Quarterly average	0.57	0.54	0.43	0.34	0.44	0.31	0.30	0.28	0.27	0.29	0.29	0.30	0.29	0.28	0.29
Trading volume (HKD bn)	2,247	1,315	1,351	1,226	6,139	1,326	1,347	1,085	1,092	4,850	1,223	960	1,090	957	4,230
Growth (YoY)	+277.5%	+104.3%	+33.1%	+1.3%	+77.2%	-41.0%	+2.4%	-19.7%	-10.9%	-21.0%	-7.8%	-28.7%	+0.5%	-12.4%	-12.8%
Growth (QoQ)	+85.7%	-41.4%	+2.7%	-9.2%		+8.2%	+1.6%	-19.5%	+0.7%		+12.0%	-80.2%	-10.9%	-0.4%	
Trading velocity (quarterly avg)	24.0x	10.9x	11.7x	11.8x	14.7x	13.4x	13.1x	10.8x	11.1x	12.0x	11.1x	8.2x	9.3x	8.0x	9.2x
Commission rate (blended, bp)	5.9	6.1	6.9	7.0	6.4	7.3	7.7	8.8	9.6	8.3	8.8	9.9	9.3	9.5	9.3
MFSL balance (HKD bn)	27.4	33.0	31.7	30.3	30.3	25.5	28.9	29.6	26.6	26.6	34.5	34.0	32.4	33.1	33.1
Growth (YoY)	+470.8%	+340.0%	+151.6%	+55.4%	+55.4%	-6.9%	-12.4%	-6.6%	-12.2%	-12.2%	+35.3%	+17.6%	+9.5%	+24.4%	+24.4%
Growth (QoQ)	+40.5%	+20.4%	-3.9%	-4.4%		-15.8%	+13.3%	+2.4%	-10.1%		+29.7%	+27.8%	-6.1%	-2.6%	
MFSL as % of client assets	5.9%	6.6%	7.5%	7.4%	7.4%	6.6%	6.7%	8.0%	6.4%	6.4%	7.4%	7.3%	6.9%	6.8%	6.8%
Client acquisition cost (HKD k)	1.01	1.79	2.42	4.38	1.91	3.52	3.59	4.07	3.64	3.69	3.44	3.02	3.26	3.08	3.18
Key financial metrics															
Gross margin	79.9%	82.3%	84.6%	86.5%	83.0%	86.1%	88.1%	88.8%	85.0%	86.9%	88.4%	84.9%	83.5%	81.7%	84.7%
Operating margin	72.2%	50.1%	47.8%	40.4%	53.9%	47.0%	53.1%	55.9%	57.8%	53.9%	63.6%	59.6%	59.7%	52.8%	59.1%
Net margin	52.7%	33.9%	35.5%	31.1%	39.5%	34.8%	36.7%	38.8%	42.0%	38.4%	47.7%	45.1%	41.2%	36.9%	42.8%
Effective tax ratio	9.0%	14.5%	13.3%	12.9%	11.8%	11.3%	9.8%	12.1%	14.7%	12.3%	14.4%	15.7%	16.2%	12.5%	14.8%
ROA	5.1%	1.8%	2.1%	1.9%	3.3%	2.2%	2.4%	2.9%	4.0%	3.0%	4.7%	4.2%	4.3%	3.6%	4.5%
ROE	52.3%	14.1%	11.6%	9.4%	19.2%	11.1%	12.9%	15.2%	18.7%	14.0%	22.1%	20.1%	19.0%	14.6%	18.8%
Assets/Equity	11.9x	6.2x	4.9x	4.8x	4.8x	5.2x	5.6x	4.9x	4.5x	4.5x	4.8x	4.7x	4.1x	4.0x	4.0x
Assets/Equity (excl. clients' funds)	4.6x	3.2x	2.1x	2.2x	2.2x	2.3x	2.4x	2.2x	2.1x	2.1x	2.4x	2.3x	2.2x	2.1x	2.1x

Source: Company reports, *gross margin=gross profit/total revenue, operating margin=operating profit/gross profit, net profit=net profit/total revenue

Exhibit 2: Futu's quarterly financials
 2020-2023

P&L, HKD mn	1Q21	2Q21	3Q21	4Q21	2021	1Q22	2Q22	3Q22	4Q22	2022	1Q23	2Q23	3Q23	4Q23	2023
Brokerage income	1,325	798	933	857	3,913	967	1,034	958	1,049	4,008	1,079	953	1,009	904	3,945
Interest income	659	610	632	618	2,518	575	620	881	1,138	3,214	1,294	1,406	1,505	1,332	5,536
Other income	221	169	166	128	684	98	93	107	94	392	126	127	137	137	527
Total revenue	2,205	1,577	1,731	1,603	7,115	1,641	1,747	1,946	2,281	7,614	2,500	2,485	2,650	2,373	10,008
Growth (YoY)	+349.3%	+129.3%	+83.0%	+35.1%	+114.9%	-25.6%	+10.8%	+12.4%	+42.3%	+7.0%	+52.3%	+42.3%	+36.2%	+4.1%	+31.4%
Growth (QoQ)	+85.8%	-28.5%	+9.8%	-7.4%		+2.4%	+6.4%	+11.4%	+17.2%		+9.6%	-67.4%	+6.0%	-4.5%	
Brokerage expenses	(214)	(145)	(125)	(88)	(572)	(96)	(87)	(83)	(64)	(330)	(72)	(55)	(63)	(59)	(250)
Interest expenses	(167)	(80)	(74)	(56)	(377)	(39)	(27)	(45)	(182)	(293)	(131)	(220)	(289)	(271)	(911)
Other costs	(62)	(54)	(67)	(74)	(257)	(93)	(94)	(91)	(96)	(374)	(88)	(99)	(86)	(104)	(376)
Total costs	(443)	(279)	(267)	(217)	(1,206)	(228)	(208)	(218)	(342)	(996)	(291)	(375)	(437)	(433)	(1,536)
Growth (YoY)	+275.8%	+81.3%	+46.8%	-10.5%	+73.3%	-48.6%	-25.4%	-18.4%	+57.8%	-17.4%	+27.6%	+80.2%	+100.5%	+26.7%	+54.2%
Growth (QoQ)	+83.0%	-37.1%	-4.2%	-18.8%		+5.1%	-8.8%	+4.9%	+56.9%		-15.0%	-62.4%	+50.4%	+15.7%	
Gross profit	1,761	1,298	1,464	1,386	5,909	1,413	1,539	1,727	1,939	6,618	2,209	2,110	2,213	1,940	8,472
Growth (YoY)	+372.6%	+143.2%	+91.6%	+46.8%	+126.0%	-19.8%	+18.6%	+18.0%	+39.9%	+12.0%	+56.3%	+37.1%	+28.1%	+0.1%	+28.0%
Growth (QoQ)	+86.5%	-26.3%	+12.8%	-5.3%		+2.0%	+8.9%	+12.3%	+12.2%		+14.0%	-68.1%	+0.2%	-8.1%	
R&D expenses	(137)	(173)	(224)	(271)	(805)	(282)	(292)	(313)	(334)	(1,222)	(355)	(363)	(360)	(363)	(1,441)
Selling & marketing expenses	(275)	(377)	(403)	(337)	(1,392)	(288)	(219)	(235)	(153)	(896)	(141)	(175)	(212)	(182)	(710)
G&A expenses	(78)	(97)	(137)	(218)	(529)	(178)	(211)	(212)	(330)	(931)	(308)	(314)	(322)	(370)	(1,313)
Operating expenses	(490)	(647)	(764)	(826)	(2,726)	(748)	(722)	(761)	(818)	(3,049)	(804)	(852)	(893)	(916)	(3,465)
Growth (YoY)	+149.3%	+145.0%	+136.6%	+127.1%	+137.7%	+52.8%	+11.5%	-0.3%	-0.9%	+11.8%	+7.4%	+18.0%	+17.3%	+12.0%	+13.6%
Growth (QoQ)	+34.7%	+32.2%	+18.0%	+8.1%		-9.3%	-3.6%	+5.5%	+7.5%		-1.7%	-72.1%	+11.0%	+7.5%	
Others	6	(26)	10	12	2	(20)	(95)	(103)	9	(210)	(8)	75	(17)	(17)	33
Profit before tax	1,278	625	710	573	3,185	644	722	863	1,130	3,359	1,397	1,333	1,303	1,007	5,041
Income tax	(116)	(91)	(95)	(74)	(375)	(73)	(71)	(104)	(166)	(414)	(202)	(209)	(211)	(126)	(748)
Equity method investments	0	0	0	0	0	0	(9)	(4)	(4)	(18)	(4)	(4)	(1)	(5)	(13)
Net income	1,162	534	615	499	2,810	572	642	755	959	2,927	1,192	1,120	1,091	876.4	4,279
Net profit (GAAP)	1,162	534	615	499	2,810	572	642	755	959	2,927	1,192	1,120	1,091	876.4	4,279
Growth (YoY)	+650.6%	+125.8%	+53.1%	-6.3%	+112.0%	-50.8%	+20.2%	+22.7%	+92.2%	+4.2%	+108.4%	+74.5%	+44.6%	-8.6%	+46.2%
Growth (QoQ)	+118.3%	-54.1%	+15.2%	-18.9%		+14.6%	+12.2%	+17.6%	+27.0%		+24.3%	-61.7%	-8.4%	-21.7%	
Net profit (non-GAAP)	1,179	550	646	533	2,909	622	689	806	1,015	3,131	1,268	1,193	1,158	932	4,552
Growth (YoY)	+634.1%	+126.7%	+58.5%	-3.5%	+114.2%	-47.2%	+25.1%	+24.8%	+90.2%	+7.6%	+103.8%	+73.3%	+43.7%	-8.1%	+45.4%
Growth (QoQ)	+113.3%	-53.3%	+17.4%	-17.4%		+16.6%	+10.7%	+17.1%	+25.9%		+25.0%	-61.9%	-8.7%	-21.9%	
EPS (HKD)	8.2	3.5	4.0	3.3	18.7	3.9	4.5	5.4	6.9	20.6	8.5	8.1	8.0	6.4	31.0
Growth (YoY)	+561.6%	+87.6%	+29.7%	-16.1%	+83.0%	-52.5%	+27.5%	+34.1%	+111.2%	+9.8%	+120.0%	+79.1%	+48.5%	-7.1%	+50.7%
Growth (QoQ)	+110.4%	-56.7%	+13.2%	-18.7%		+19.2%	+16.1%	+19.1%	+28.1%		+24.2%	-60.7%	-6.7%	-20.8%	

Source: Company reports

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Valuation Comp

Exhibit 3: Online brokers/China traditional brokers/China online verticals valuation comp

Futu's valuation is attractive compared to other online brokers

Name	Ticker	Currency of price	Price	Market cap (USD mn)	P/E		P/B		ROE		ROA	
					2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Online brokers												
Charles Schwab	SCHW US	USD	67.1	122,470	19.9x	15.4x	2.6x	2.5x	15.5%	17.5%	1.2%	1.6%
Interactive Brokers	IBKR US	USD	108.5	45,951	17.2x	17.8x	2.8x	2.5x	18.2%	15.8%	0.0%	0.0%
Robinhood	HOOD US	USD	17.2	15,007	72.7x	56.8x	2.2x	2.2x	2.8%	2.7%	0.6%	0.7%
East Money	300059 CH	CNY	13.8	30,379	22.7x	19.5x	2.6x	2.3x	12.3%	12.9%	4.0%	4.2%
Futu	FUTU US	USD	65.4	9,132	14.8x	13.3x	2.7x	2.3x	17.6%	16.6%	4.5%	4.5%
Up FinTech (Tiger)	TIGR US	USD	4.97	849	13.7x	12.0x	1.4x	1.3x	10.8%	11.4%	0.9%	1.1%
Market cap weighted average					23.1x	19.2x	2.6x	2.4x	14.8%	15.5%	1.5%	1.7%
China traditional brokers (H-share)												
CITICS	6030 HK	HKD	14.7	40,599	8.2x	7.4x	0.7x	0.7x	9.4%	9.3%	1.5%	1.5%
CICC	3908 HK	HKD	10.1	16,326	5.8x	4.7x	0.4x	0.4x	7.3%	8.3%	0.9%	1.1%
Huatai Securities	6886 HK	HKD	9.5	16,780	5.7x	5.1x	0.5x	0.4x	8.0%	8.5%	1.5%	1.5%
Market cap weighted average					7.1x	6.3x	0.6x	0.6x	8.6%	8.9%	1.4%	1.4%
China online verticals												
KE Holdings	BEKE US	USD	14.4	17,965	13.3x	12.8x	1.7x	1.6x	9.9%	10.1%	6.1%	6.3%
JD Health	6618 HK	HKD	31.2	12,721	22.8x	18.2x	1.8x	1.7x	6.8%	8.2%	4.3%	5.6%
Alibaba Health	241 HK	HKD	3.5	7,159	35.1x	26.1x	2.6x	2.3x	6.6%	9.0%	5.3%	6.8%
Trip.com Group	TCOM US	USD	44.7	28,864	17.1x	14.6x	1.6x	1.5x	9.1%	9.8%	5.1%	5.5%
Autohome	ATHM US	USD	27.1	3,336	11.9x	11.2x	0.9x	0.9x	7.7%	7.8%	6.2%	6.4%
Weibo	WB US	USD	9.7	2,353	4.6x	4.1x	0.5x	0.5x	11.1%	11.0%	6.5%	6.6%
Market cap weighted average					18.3x	15.4x	1.7x	1.6x	8.6%	9.5%	5.3%	5.9%

Source: Bloomberg, *BofA Global Research estimates for Futu, Bloomberg consensus for others, ^ negative EPS, as of Mar 14, 2024

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Price objective basis & risk

Futu Holdings (FUTU)

Our PO for Futu is USD62.80 per ADR, based on 14x 2024E P/E multiple, lower than global mature online brokers' given the regulation risk, but higher than traditional China brokers'.

Upside risks to our PO are better-than-expected capital market condition, lower-than-expected competition and faster-than-expected client growth. Downside risks to our PO are stricter-than-expected regulations, large US/HK market correction and intensified competition.

Analyst Certification

I, Emma Xu, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Greater China - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Agricultural Bank of China	ACGBF	1288 HK	Winnie Wu
	Agricultural Bank Of China-A	XACNF	601288 CH	Winnie Wu
	AIA Group Limited	AAIGF	1299 HK	Michael Li
	Bank Of China	BACHF	3988 HK	Winnie Wu
	Bank of Comm	BKFCF	3328 HK	Winnie Wu
	Bank Of Communications Co-A	XNCTF	601328 CH	Winnie Wu
	Bank of Jiangsu	XBJCF	600919 CH	Emma Xu
	Bank of Suzhou	XCZIF	002966 CH	Wenqing Han, CFA
	BOC Hong Kong Holdings Ltd	BNKHF	2388 HK	Winnie Wu
	Chailease	XCAHZ	5871 TT	Brooksley Kang
	China CITIC Bk	CHBJF	998 HK	Emma Xu
	China Construction Bank	CICHF	939 HK	Winnie Wu
	China Construction Bank -A	XCTBF	601939 CH	Winnie Wu
	China Galaxy Securities Co Ltd	CGXYF	6881 HK	Michael Li
	China Life Insurance	CLIJF	2628 HK	Michael Li
	China MERCH BK	CIHHF	3968 HK	Winnie Wu
	China MERCH BK -A	CIHKF	600036 CH	Winnie Wu
	China Merchants Securities	XMRKF	600999 CH	Susie Liu, CFA
	China Merchants Securities	XCJRF	6099 HK	Susie Liu, CFA
	China Pacific Insurance Group	CHPXF	2601 HK	Michael Li
	Chongqing Rural Commercial Bank	COGQF	3618 HK	Wenqing Han, CFA
	Chongqing Rural Commercial Bank - A	XCRQF	601077 CH	Wenqing Han, CFA
	CITIC Limited	CTPCF	267 HK	Ronald Leung, CFA
	CITIC Securities	CIHF	6030 HK	Michael Li
	CITIC Securities -A	CIISF	600030 CH	Michael Li
	CTBC FHC	CTFHF	2891 TT	Brooksley Kang
	Fubon FHC	FUISF	2881 TT	Brooksley Kang
	Futu Holdings	FUTU	FUTU US	Emma Xu
	GF Securities	GFSEZ	1776 HK	Susie Liu, CFA
	GF Securities	XMPQF	000776 CH	Susie Liu, CFA
	Guolian Securities	XLTVF	601456 CH	Susie Liu, CFA
	Guotai Junan International	GUOTF	1788 HK	Michael Li
	Guotai Junan Securities	XGUOF	2611 HK	Michael Li
	Guotai Junan Securities-A	XOQOF	601211 CH	Michael Li
	HKEX	HKXCF	388 HK	Michael Li
	Huatai Securities	XHTLF	601688 CH	Susie Liu, CFA
	Huatai Securities	HUATF	6886 HK	Susie Liu, CFA
	Ind & Comm BK	IDCBF	1398 HK	Winnie Wu
	Ind & Comm BK -A	XIKNF	601398 CH	Winnie Wu

Greater China - Financials Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Jiangsu Changshu Rural Commercial Bank	XBJTF	601128 CH	Wenqing Han, CFA
	Noah Holdings Limited	NOAH	NOAH US	Emma Xu
	Noah Holdings Limited	XNHLF	6686 HK	Emma Xu
	PICC Group	PINXF	1339 HK	Michael Li
	PICC Property & Casualty	PPCCF	2328 HK	Michael Li
	Ping An Insurance	PIAIF	2318 HK	Michael Li
	Ping An Insurance	XPSPF	601318 CH	Michael Li
	Qifu Technology	QFIN	QFIN US	Emma Xu
	Qifu Technology	XDGRF	3660 HK	Emma Xu
	Sinolink Securities	XERQF	600109 CH	Susie Liu, CFA
	Waterdrop	WDH	WDH US	Michael Li
	Zheshang Securities	XDSEF	601878 CH	Susie Liu, CFA
	ZhongAn Online P&C Insurance	ZZHGF	6060 HK	Michael Li

NEUTRAL

	Bank Of China -A	BACZF	601988 CH	Winnie Wu
	Bank of Hangzhou	XBHCF	600926 CH	Emma Xu
	Bank of Nanjing	XBNMF	601009 CH	Wenqing Han, CFA
	Bank of Ningbo	XBINF	002142 CH	Emma Xu
	Cathay FHC	XCIF	2882 TT	Brooksley Kang
	China Securities Corp	XCUEF	6066 HK	Susie Liu, CFA
	E.Sun FHC	ESUFF	2884 TT	Brooksley Kang
	Hang Seng Bk	HSNGF	11 HK	Winnie Wu
	Hang Seng Bk - A	HSNGY	HSNGY US	Winnie Wu
	Lufax Holding	LU	LU US	Emma Xu
	New China Life	NWWCF	1336 HK	Michael Li
	Postal Savings Bank of China	PSBKF	1658 HK	Winnie Wu
	Postal Savings Bank of China - A	XPSSF	601658 CH	Winnie Wu

UNDERPERFORM

	Bank of Chengdu	XBCQF	601838 CH	Emma Xu
	Bank of E Asia	BKEAF	23 HK	Winnie Wu
	Bank of E Asia-A	BKEAY	BKEAY US	Winnie Wu
	BOC International (China)	XLFTF	601696 CH	Susie Liu, CFA
	China Cinda Asset Management	CCGDF	1359 HK	Michael Li
	China CITIC Bk -A	CHCKF	601998 CH	Emma Xu
	China Everbright Bank	CEBCF	6818 HK	Emma Xu
	China Everbright Bank	XCBLF	601818 CH	Emma Xu
	China Galaxy Securities Co Ltd	XCXYF	601881 CH	Michael Li
	China Industrial Bank Co. Ltd.	INBLF	601166 CH	Emma Xu
	China International Capital Corporation	CNICF	3908 HK	Susie Liu, CFA
	China Life Insurance	XCNNF	601628 CH	Michael Li
	China Minsheng Banking Corp Ltd	CGMBF	1988 HK	Emma Xu
	China Minsheng Banking Corp Ltd -A	CMAKF	600016 CH	Emma Xu
	China Pacific Insurance Group	XCJNF	601601 CH	Michael Li
	China Securities Corp	XCSIF	601066 CH	Susie Liu, CFA
	Haitong Securities	HTNGF	6837 HK	Michael Li
	Haitong Securities -A	XHTSF	600837 CH	Michael Li
	Mega FHC	MGFNF	2886 TT	Brooksley Kang
	New China Life	XNWCF	601336 CH	Michael Li
	Orient Securities	XOBNF	600958 CH	Susie Liu, CFA
	Orient Securities	XONQF	3958 HK	Susie Liu, CFA
	PICC Group	XPIDF	601319 CH	Michael Li
	Ping An Bank	XPABY	000001 CH	Emma Xu
	Shanghai Pudong Dev Bank	SHVPF	600000 CH	Emma Xu
	Shin Kong FHC	SKFHF	2888 TT	Brooksley Kang

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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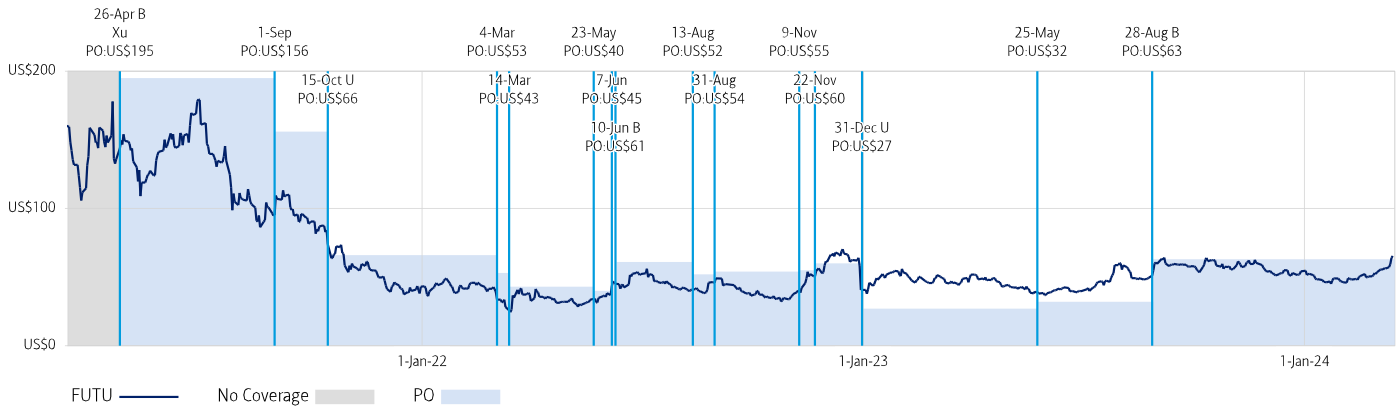
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Disclosures

Important Disclosures

Futu (FUTU) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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