

广发证券 [1776.HK]

业绩发布会摘要：融资融券及投资业务的风险可控

广发证券管理层表示，公司自7月以来已积极主动地控制融资融券业务的风险，而公司本月的融资融券余额已不再是市场最大。同时，截至6月底，在公司总值129亿元人民币的股票投资组合中，只有约30亿元人民币的投资较受市场方向影响。公司股份在昨日下午下跌16.5%后，现时2015年市净率为0.92倍，相当于9.95%中期净资产收益率，我们认为若与公司的4年平均净资产收益率12.3%相比，这反映了较低的预期。我们维持基于戈登增长模型所得的目标价20港元（2015年市净率为1.66倍，beta值为1.41，权益成本为10.19%，中期净资产收益率为12.3%），维持买入评级。

投资亮点

- **融资融券业务风险可控。**为了控制该业务的风险，广发证券在大盘调整期间削减其融资融券余额，该余额已从6月底的1,400亿元人民币下降到7月底的846亿元人民币。虽然管理层未有提供8月的最新数字，但表示其余额已不再是市场最大。此外于7月期间，公司并无因为强制平仓而录得任何本金损失。由于现时市场的平均维持担保比例超过280%，管理层认为尽管市场昨天再度大幅调整，但潜在的坏账风险不大。
- **股票投资的风险有限。**截至6月末，公司的股票投资金额约为129亿元人民币，相对整个投资组合约1,100亿元人民币（主要为固定收益产品）来说，股票投资的规模并不大。其中，只有约30亿元人民币较受市场方向影响。所以，因市场疲弱而带来巨额亏损的风险较低。
- **无需向证金公司额外借款。**早前公司向证金公司贡献用于稳定市场的资金相当于公司净资产的15%。该项投资将以成本入账（并非以市价入账），而公司尚未得悉有关投资的盈利/亏损状况。该公司并没有向证金公司借入额外资金以投资股票。

截至12月底止年度	2012	2013	2014	2015E	2016E
营业收入（百万人民币）	7,280	9,332	16,163	40,029	39,031
经常性净利润（百万人民币）	2,191	2,813	5,023	11,808	8,055
经调整净利润率（%）	33	36	39	40	32
每股经常性收益（人民币）	0.37	0.48	0.85	1.55	1.06
百分比变动	n.a.	28	79	83	(32)
市盈率（倍）	24.4	18.5	10.3	5.9	8.9
市净率（倍）	1.62	1.51	1.31	0.92	0.89
平均资产收益率（%）	2.6	2.7	2.8	3.3	1.6
平均净资产收益率（%）	6.8	8.3	13.5	20.4	10.3

来源：公司，中国银河国际研究部

中国证券业

买入

收盘价：11.10港元（2015年8月24日）

目标价：20.00港元（+80%）

股价表现



市值	152.46亿美元
已发行股数	76.21亿股
核数师	Deloitte
自由流通量	58.2%
52周交易区间	9.90-26.95港元
三个月日均成交量	3,560万美分
主要股东	辽宁成大股份有限公司 (16.4%)

来源：公司，彭博

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GF Securities [1776.HK]

Briefing takeaways: Manageable risks in margin financing & investment

According to GF Securities (GFS) management, it has pro-actively controlled the business risk of margin financing since July and its margin financing balance is no longer the largest in the market this month. Meanwhile, for its equity investment portfolio of RMB12.9bn at end-June, only about RMB3bn was more correlated to market direction. After another 16.5% correction yesterday, the counter is trading at 0.92x 2015E PBR, which implies an expected medium-term ROE of 9.95%. It is a low expectation, in our view, compared with the company's 4-year average ROE of 12.3%. We keep our target price of HK\$20 based on Gordon Growth Model (1.66x 2015E PBR; beta at 1.41, cost of equity at 10.19%, medium-term ROE at 12.3%). Maintain BUY.

Investment Highlights

- Margin financing business risk under control.** To manage its business risk, GFS' margin financing and securities lending (MFSL) balance dropped from RMB140bn at end-June to RMB84.6bn at end-July amid a sharp market correction. Although the latest figure for August was not provided, management said its balance was no longer the largest in the market. In addition, it did not record any principal loss in July during forced liquidation. With an average maintenance margin ratio of >280%, management believes potential bad debt risk is not a big concern despite another sharp market correction yesterday.
- Limited exposure to equity investment.** As of end-June, the size of its equity investments was about RMB12.9bn, a relatively small portion compared with the entire portfolio of about RMB110bn, mainly in the form of fixed income. Of which, only about RMB3bn was more correlated to market direction. As such, the risk of incurring big losses in a weak market should be small.
- No extra borrowing from CSFC.** The company contributed an amount equivalent to 15% of its net asset to China Securities Finance Corporation (CSFC) for market stabilization. The investment will be booked at cost (not mark-to-market) and GFS has yet received any notification of the latest profit/loss of the investment. The company has not borrowed extra funds from CSFC for stock investment.

Y/E Dec 31	2012	2013	2014	2015E	2016E
Turnover (RMB m)	7,280	9,332	16,163	40,029	39,031
Recurring net profit (RMB m)	2,191	2,813	5,023	11,808	8,055
Adjusted net margin (%)	33	36	39	40	32
Recurring EPS (RMB)	0.37	0.48	0.85	1.55	1.06
% Change	n.a.	28	79	83	(32)
PER (x)	24.4	18.5	10.3	5.9	8.9
PBR (x)	1.62	1.51	1.31	0.92	0.89
ROAA (%)	2.6	2.7	2.8	3.3	1.6
ROAE (%)	6.8	8.3	13.5	20.4	10.3

Sources: Company, CGIHK Research

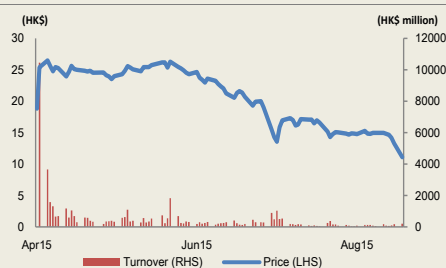
China Securities Sector

BUY

Close: HK\$11.10 (August 24, 2015)

Target Price: HK\$20.00 (+80%)

Price Performance



Market Cap	US\$15,246m
Shares Outstanding	7,621.0m
Auditor	Deloitte
Free Float	58.2%
52W range	HK\$9.90-26.95
3M average daily T/O	US\$35.60m
Major Shareholding	Liaoning Cheng Da (16.4%)

Sources: Company, Bloomberg

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- **Commission rate manageable through service package differentiation.** For service package only offering simple trading services, the commission rate for new accounts is 2.88bps. However, the actual commission rate will be higher if clients add more services on top of the basic package. Currently a quarter of new accounts opened online are charging commission rate of >5bps. Management believes the company has struck a balance between commission rate and market share as its ranking of trading volume and commission income market share rose at the same time.
- **No intention to increase equity investments for idle funds.** As the growth of MFSL balance is likely to be much slower after the sharp market correction, GFS may consider to invest idle funds in fixed income products to reduce overall finance cost of the company. The funds will be not used to expand its exposure to equities. Idle funds may also be used to replace some borrowings to be matured by year-end.
- **Overall direction: reduce reliance on business driven by market directions.** The long-term goal of the company is to diversify its business from quasi-loan operations and it will be more active to develop market marking, block trade, OTC and FICC businesses. It may also accelerate its overseas expansion but there is no clear acquisition target at the moment.

Figure 1: GFS 1H15 results highlights

Y/E Dec (Rmb '000)	1H14	1H15	YoY change
Equities	1,480,655	8,079,260	445.7%
Investment banking	691,025	623,409	-9.8%
Futures and options	90,801	179,208	97.4%
Consultancy and financial advisory	121,077	252,333	108.4%
Asset management	171,312	1,434,928	737.6%
Others	7,093	34,247	382.8%
Commission and fee income	2,561,963	10,603,385	313.9%
Interest income	1,659,161	6,564,510	295.7%
Net investment gains	1,437,083	6,675,929	364.5%
Total revenue	5,658,207	23,843,824	321.4%
Other income and gains	(2,281)	149,050	n.a.
Total revenue and other income	5,655,926	23,992,874	324.2%
Operating expenses	(3,747,184)	(12,826,753)	242.3%
Staff costs	(1,699,486)	(6,281,439)	269.6%
Commission and fee expenses	(136,403)	(202,723)	48.6%
Depreciation and amortization	(121,193)	(135,972)	12.2%
Interest expenses	(1,093,846)	(4,151,748)	279.6%
Other operating expenses	(696,165)	(2,019,954)	190.2%
Impairment losses	(91)	(34,917)	38270.3%
Operating profit	1,908,742	11,166,121	485.0%
Share of profits of associates and JCEs	214,129	172,670	-19.4%
Profit before tax	2,122,871	11,338,791	434.1%
Taxation	(446,735)	(2,701,043)	504.6%
Minority interest	(1,146)	(231,787)	20125.7%
Net Profit	1,674,990	8,405,961	401.9%
Adjusted net profit	1,674,990	8,405,961	401.9%
Margin financing balance	21,271,000	140,139,700	558.8%
Staff cost-to-income (%)	38.4%	32.0%	
Cost-to-income (%)	56.9%	43.1%	
Adjusted operating margin	43.2%	56.1%	
Adjusted net margin	37.9%	44.0%	

Sources: Company, CGIHK Research

Key financials

GF Securities (01776.HK)

Income Statement

(RMB'000, except for per share amount)

Year ended 31 Dec	2012	2013	2014	2015E	2016E
Equities	2,396,000	3,439,400	4,949,900	14,028,536	11,331,221
Investment banking	1,027,100	308,100	1,552,300	1,197,084	1,300,878
Futures and options	297,000	279,300	230,500	370,633	389,165
Asset management	112,000	205,100	1,124,500	2,739,336	3,413,639
Others	169,400	167,500	360,100	500,860	626,075
Commission and fee income	4,001,500	4,399,400	8,217,300	18,836,449	17,060,978
Interest income	1,541,235	2,349,217	4,324,638	11,464,540	13,381,585
Net investment gains	1,688,087	2,525,131	3,604,956	9,527,734	8,438,690
Total revenue	7,230,822	9,273,748	16,146,894	39,828,723	38,881,252
Other income and gains	49,651	58,114	16,581	200,000	150,000
Total revenue and other income	7,280,473	9,331,862	16,163,475	40,028,723	39,031,252
Staff costs	(2,435,257)	(2,947,619)	(4,345,926)	(10,300,720)	(10,799,665)
Commission and fee expenses	(150,259)	(105,542)	(240,813)	(452,075)	(426,524)
Interest expenses	(500,383)	(1,378,567)	(2,757,676)	(8,414,303)	(12,269,251)
Others	(1,883,882)	(1,815,828)	(2,507,650)	(5,216,964)	(4,949,057)
Operating expenses	(4,969,781)	(6,247,556)	(9,852,065)	(24,384,061)	(28,444,497)
Operating profit	2,310,739	3,084,291	6,311,430	15,644,662	10,586,755
Non-recurrent items	-	-	-	-	-
Income before tax	2,685,219	3,477,313	6,648,595	15,995,607	11,040,505
Income tax expense	(494,880)	(664,747)	(1,503,082)	(3,758,968)	(2,649,721)
Minority interests	1,118	(65)	(122,945)	(428,282)	(335,631)
Net income	2,191,457	2,812,501	5,022,568	11,808,357	8,055,153
Recurring net income	2,191,457	2,812,501	5,022,568	11,808,357	8,055,153
EPS (RMB)	0.370	0.475	0.849	1.549	1.057
Recurring EPS (RMB)	0.370	0.475	0.849	1.549	1.057
DPS (RMB)	0.150	0.200	0.200	0.465	0.317
A-share average daily turnover	129,492,761	196,668,908	303,014,286	1,000,000,000	950,000,000
Brokerage market share of GFS (%)	4.0	4.0	4.3	5.0	4.9
Net commission rate of GFS (%)	0.091	0.086	0.070	0.052	0.044
Margin financing balance	5,183,000	19,945,100	64,356,200	94,577,994	117,788,578
Staff cost-to-income (%)	36.7	37.6	33.0	33.1	41.0
Cost-to-income (%)	65.1	60.7	52.1	49.8	59.8
Cost-to-income (ex-impairment)	60.8	59.2	50.9	49.3	59.2
Growth Rates:					
Commission and fee income	n.a.	10%	87%	129%	-9%
Interest income	n.a.	52%	84%	165%	17%
Net investment gains	n.a.	50%	43%	164%	-11%
Total revenue and other income	n.a.	28%	73%	148%	-2%
Operating profit	n.a.	33%	105%	148%	-32%
Recurring net income	n.a.	28%	79%	135%	-32%
Recurring EPS	n.a.	28%	79%	83%	-32%
Margins and Ratios:					
Adjusted operating margin	34.4%	38.8%	47.9%	49.9%	39.9%
Adjusted net margin	33.3%	36.1%	39.1%	39.5%	32.0%
Effective tax rate	18%	19%	23%	24%	24%

Sources: Company data, CGIHK Research estimates

Key financials

GF Securities (01776.HK)

Balance Sheet

(RMB'000, except for per share amount)

As at 31 Dec	2012	2013	2014	2015E	2016E
Financial assets	33,642,898	46,783,207	71,531,551	140,049,510	170,813,337
Advances to customers	5,246,504	20,490,654	64,695,844	95,577,994	118,788,578
Others	9,394,574	10,652,117	30,234,496	43,938,028	42,869,874
Cash held on behalf of customers	27,345,508	25,227,415	48,995,919	126,733,600	117,988,982
Bank balances and cash	9,033,278	6,146,696	18,203,433	68,877,562	54,089,359
Total current assets	84,662,762	109,300,089	233,661,243	475,176,695	504,550,129
PPE, net	991,741	1,043,274	1,287,461	1,358,944	1,432,513
Financial assets	1,508,728	3,634,831	2,747,766	4,753,849	5,503,849
Others	2,692,575	3,313,977	2,403,306	4,455,315	4,854,065
Total non-current assets	5,193,044	7,992,082	6,438,533	10,568,108	11,790,427
Total assets	89,855,806	117,292,171	240,099,776	485,744,804	516,340,556
Accounts payable to brokerage clients	34,287,577	31,609,231	71,465,563	157,477,200	146,680,273
Financial assets sold under repo	8,850,471	19,399,797	50,717,726	80,000,000	90,000,000
Due to banks and other financial institutions	3,340,000	5,300,000	1,123,000	-	3,210,583
Others	10,333,437	14,202,625	42,223,828	75,062,744	86,396,563
Total current liabilities	56,811,485	70,511,653	165,530,117	312,539,944	326,287,419
Bank and other borrowings	-	11,979,740	26,030,664	80,000,000	90,000,000
Others	89,543	57,802	7,161,539	15,111,539	17,111,539
Total non-current liabilities	89,543	12,037,542	33,192,203	95,111,539	107,111,539
Total liabilities	56,901,028	82,549,195	198,722,320	407,651,483	433,398,958
Shareholders' equity	32,942,624	34,604,666	39,610,880	75,898,462	80,411,108
Minority interests	12,154	138,310	1,766,576	2,194,858	2,530,490
Book value per share (HK\$)	6.84	7.37	8.50	12.05	12.45

Dupont analysis (as % of average total assets)

Equities	n.a.	3.3%	2.8%	3.9%	2.3%
Investment banking	n.a.	0.3%	0.9%	0.3%	0.3%
Futures and options	n.a.	0.3%	0.1%	0.1%	0.1%
Asset management	n.a.	0.2%	0.6%	0.8%	0.7%
Others	n.a.	0.2%	0.2%	0.1%	0.1%
Commission and fee income	n.a.	4.2%	4.6%	5.2%	3.4%
Interest income	n.a.	2.3%	2.4%	3.2%	2.7%
Net investment gains	n.a.	2.4%	2.0%	2.6%	1.7%
Other income and gains	n.a.	0.1%	0.0%	0.1%	0.0%
Total revenue and other income	n.a.	9.0%	9.0%	11.0%	7.8%
Operating expenses	n.a.	-6.0%	-5.5%	-6.7%	-5.7%
Operating profit	n.a.	3.0%	3.5%	4.3%	2.1%
Income tax expense	n.a.	-0.6%	-0.8%	-1.0%	-0.5%
Recurring net income (ROAA)	n.a.	2.7%	2.9%	3.4%	1.7%
Leverage (x)	n.a.	3.1	4.8	6.3	6.4
Non-client asset/net asset (x)	n.a.	2.5	4.1	4.2	4.5
ROAE	n.a.	8.3%	13.5%	20.4%	10.3%

Sources: Company data, CGIH-K Research estimates

Finance Ratios

	2012	2013	2014	2015E	2016E
PER(x)	24.4	18.5	10.3	5.9	8.9
EPS growth (%)	n.a.	28	79	83	32
Yield (%)	1.7	2.3	2.3	5.1	3.4
Payout ratio (%)	41	42	24	30	30
PBR(x)	1.62	1.51	1.31	0.92	0.89
Total asset/equity (x)	2.7	3.4	5.8	6.2	6.2
Non-client asset/net asset (x)	1.7	2.5	4.1	4.2	4.5
ROAA (%)	2.63	2.72	2.81	3.25	1.61
ROAE (%)	6.79	8.3	13.5	20.4	10.3
Revenue breakdown (%)					
Equities	33.1	37.1	30.7	35.2	29.1
Investment banking	14.2	3.3	9.6	3.0	3.3
Futures and options	4.1	3.0	1.4	0.9	1.0
Asset management	1.5	2.2	7.0	6.9	8.8
Others	2.3	1.8	2.2	1.3	1.6
Commission and fee income	55.3	47.4	50.9	47.3	43.9
Interest income	21.3	25.3	26.8	28.8	34.4
Net investment gains	23.3	27.2	22.3	23.9	21.7

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