

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:

- 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.
 - 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.
 - 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.
 - 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.
 - 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.
 - 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% |
| Aspek Management HK Ltd | 4.8% |

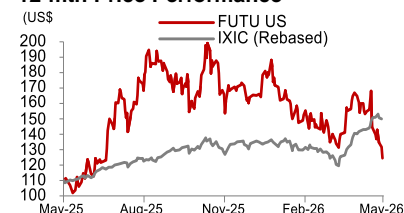
Source: HKEx

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:

- Futu Holdings (FUTU US) - [4Q robust growth in-line; geographic diversification saw sequential improvement](#), Mar 16, 2026
- Futu Holdings (FUTU US) - [4Q25 Preview: Resilient key metrics with modest sequential growth amid market turbulence](#), Mar 9, 2026
- Futu Holdings (FUTU US) - [3Q earnings a strong beat, driven by resilient net asset inflows and NII recovery](#), Nov 20, 2025
- Futu Holdings (FUTU US) - [Marketing feedback: short-term views mixed: 3Q EPS upside to reinforce long-term convictions](#), Oct 28, 2025
- 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

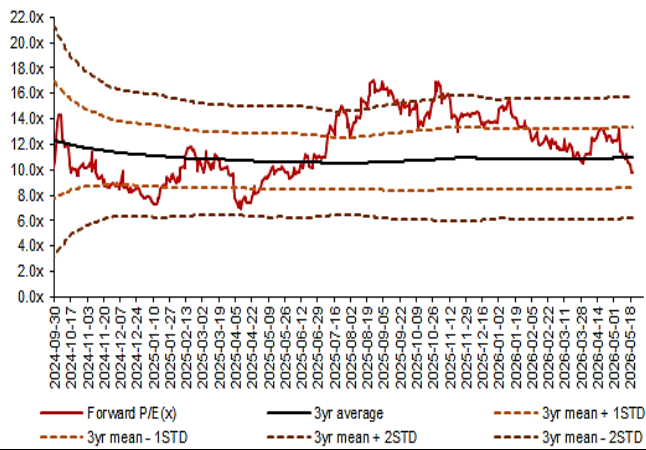
Peers' comps table

| 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 |
| | | <i>Discount vs peers median</i> | <i>-50.8%</i> | <i>-52.8%</i> | <i>-54.0%</i> |

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.

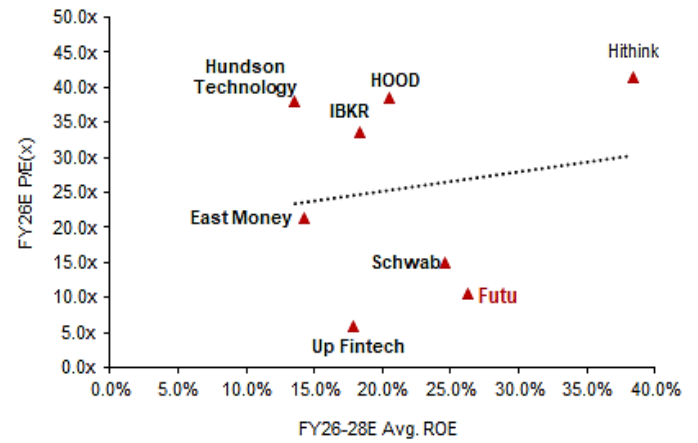
Focus Charts

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



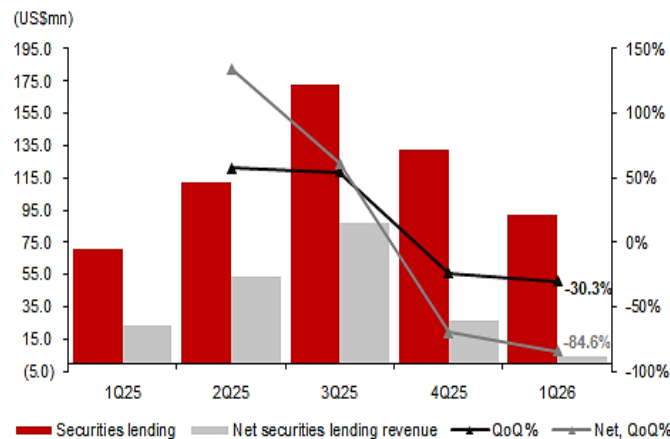
Source: Bloomberg, Wind, CMBIGM estimates
Note: Stock price data quoted by market close on May 19, 2026 (Tue).

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



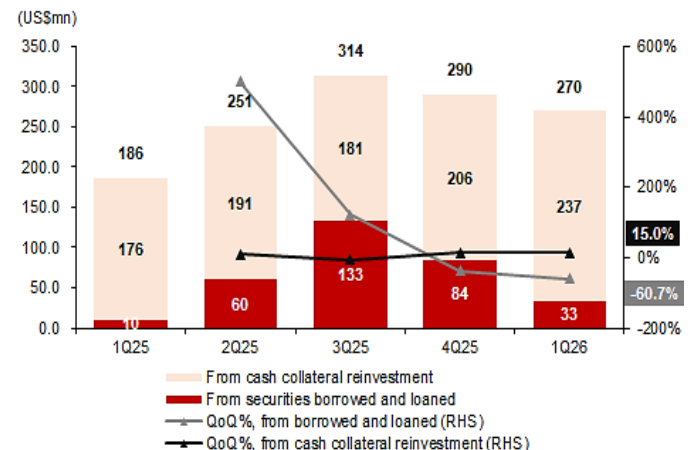
Source: Bloomberg, CMBIGM estimates
Note: The estimates of Futu's peer companies quoted from Bloomberg consensus.

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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