Futu Holdings (FUTU US)

Marketing feedback: short-term views mixed; 3Q EPS upside to reinforce long-term convictions

BUY (Maintain)

Target Price	**US$226.00**
(Previous TP	US$224.00)
Up/Downside	**26.7%**
Current Price	**US$178.38**

China Financials

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Stock Data

Mkt Cap (US$ mn)	25,345
Avg 3 mths t/o (US$ mn)	155.0
52w High/Low (US$)	194.74/74.81
Total Issued Shares (mn)	1121.5

Source: FactSet

Shareholding Structure

Hua Li	36.3%
Entities affiliated with Tencent	20.4%

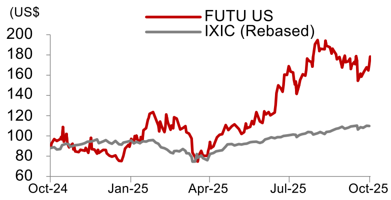
Source: HKEx

Share Performance

	Absolute	Relative
1-mth	1.1%	-2.0%
3-mth	6.9%	-3.0%
6-mth	90.0%	40.5%

Source: FactSet

12-mth Price Performance



Source: FactSet

Auditor: PricewaterhouseCoopers

Related reports:

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

We completed a four-day marketing trip in HK last week engaging with active long-only and long/short investors covering China/HK markets. We see that L/O investors' long-term conviction in Futu has strengthened, although short-term views are mixed. Key concerns include 1) tightening of account opening process to mainland clients in HK; 2) fund outflows amid easing sentiment towards stablecoin-related themes; and 3) possible client and asset attritions on the *Futubull* platform due to CRS global taxation plan. We believe these headwinds are largely sentiment-driven and do not reflect the broker's solid fundamentals. The recent share price correction (-6.3% in September vs. KWEB's +10%) presents an attractive entry point to build or average up positions, in our view, given strong HK/US turnover momentum sustained in 3Q25 and Futu's undemanding valuation relative to peers. We reiterate BUY, and slightly raise our target price to US$226 (previous: US$224) reflecting improving net interest income (NII) and FX movements, which implies 26x/23x FY25E/26E P/E. We expect upward revision to 3Q25E EPS consensus upon earnings release in mid-November.

- **LO managers showed interests but held mixed short-term views.** Recent regulatory developments, including a tighter account opening process for mainland clients in HK and the CRS global taxation plan, have raised concerns among some long-only managers regarding regulatory uncertainty from China. We regard these concerns overblown with limited likely impacts on Futu's earnings. As of 2Q25, the number of funded accounts in mainland accounted for ~17% (*CMBI est*) of total, with their AUM contributing 25%-30% of Group's total. We see limited impact due to 1) Futu's diversified market exposure is fundamentally different from three years ago, for which the number of overseas funded accounts exceeded 50% of total for the first time in 1H25; 2) the CRS tax regime applies to all financial institutions in HK, meaning shifting assets from Futu to other platforms would not circumvent regulatory oversight. Futu's competitive pricing and superior trading experience make it difficult to replace in our view; 3) the onshore tax authority requests self-declaration on capital gains from historical overseas investment income in the past three years (FY22-24). Even though onshore investors managed to transfer out their assets, the historical record still likely to require them to self-declare. We think this tax obligation will develop into a "*new norm*" for onshore investors, and Futu is positioned to retain its high-net-worth clients, without meaningful AUM share loss.
- **3Q25E EPS shows potential upside.** HK and US stock markets sustained strong turnover momentum in 3Q25, rising 30%/6% QoQ to HK$18.6tn/US$53tn. The HSI and NASDAQ index gained 12%/11% QoQ with the VIX index down 2.7% QoQ, supporting favourable mark-to-market capital gains. We expect new paying clients to be on track meeting the target of 800k, while net asset inflows may moderate from a high 2Q25 base. We anticipate trading volume to sustain a sequential rise driven by robust client AUM and high trading velocity. The 3M HIBOR rebounded back to above 3.5% as of Sep, alleviating some concerns to net interest income. In our model, we project NII to sequentially drop in 3Q25 partly due to the rate cut cycle. Cost per new client acquisition (CAC) should remain below the guidance of HK2.5k-3k. We see upside to 3Q25E EPS from higher trading velocity (2H25E: 14x vs. 1H25: 16.1x) and interest income from the current level baked in our model.
- **Risk-reward remains attractive.** Futu's ADR is trading at 20x/18x FY25/26E P/E, buoyed by the tariff truce and improving liquidity from the Fed rate cuts. Even if the market begins pricing in 3Q25 earnings revision, we view current valuation as un-demanding. On a relative basis, Futu's 12M forward P/E has traded at 15x-20x P/E since July 2025 with an avg. three-year ROE at 25.2%, compared to peer averages of 36x/31x FY25/26E P/E and 19.7% ROE (*Fig.6*). If taking into account of our bull-case scenario, which implies 21% upside to FY26E earnings, the current share price corresponds to 16.5x FY26E P/E, still below its five-year average of 18.6x. Reiterate BUY with our new TP at US$226, which implies 26x/23x FY25E/26E P/E.

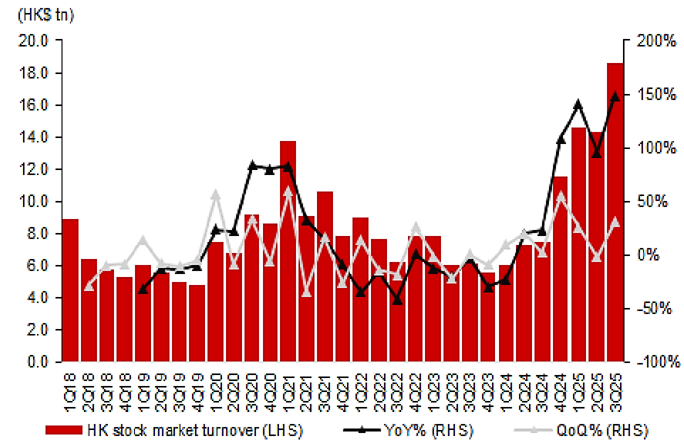
Earnings Summary

(YE 31 Dec)	FY23A	FY24A	FY25E	FY26E	FY27E
Adjusted net profit (HK$ mn)	4,570	5,768	9,955	11,079	12,602
EPS (Reported) (HK$)	30.6	38.9	68.2	75.6	85.9
Consensus EPS (HK$)	n.a	n.a	66.4	75.1	85.3
P/E (x)	45.5	35.6	20.3	18.3	16.1
P/B (x)	8.1	7.1	5.3	4.1	3.3
ROE (%)	18.8	20.7	29.0	24.5	22.1

Source: Company data, Bloomberg, CMBIGM estimates

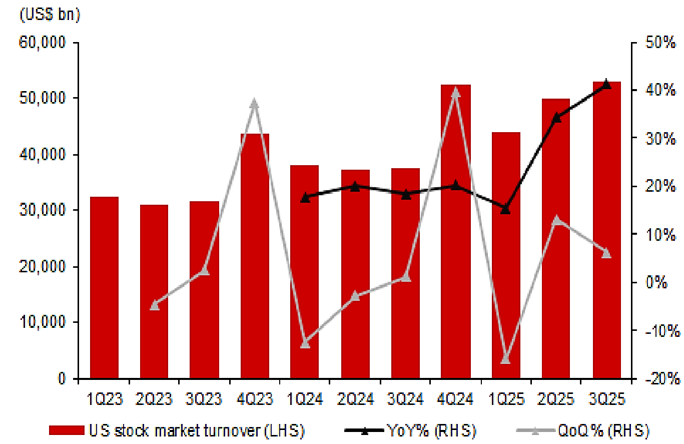
Focus Charts

Fig 1: HK stock market turnover and YoY%/QoQ%



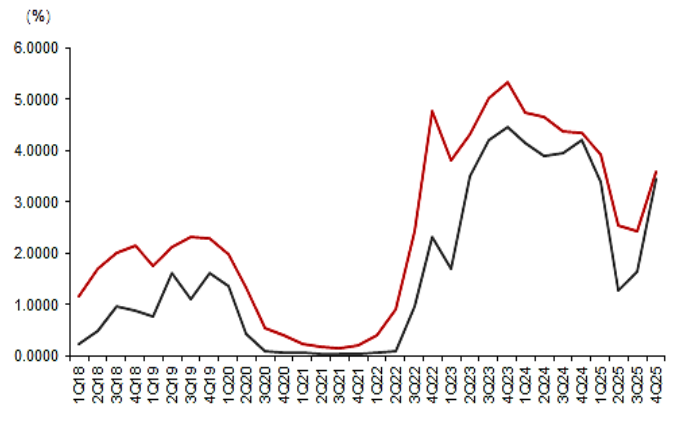
Source: HKEx, Wind, CMBIGM

Fig 2: US stock market turnover and YoY%/QoQ%



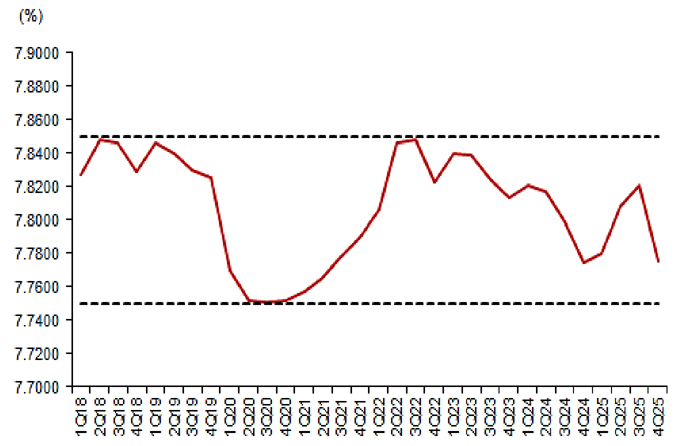
Source: CBOE, CMBIGM

Fig 3: Avg. 3M/1M HIBOR ticked upward in 3Q25



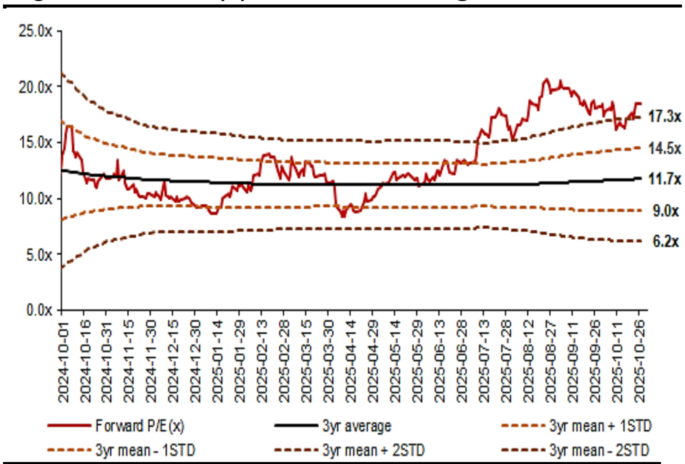
Source: Wind, CMBIGM

Fig 4: USD/HKD FX rate approaching to lower bound



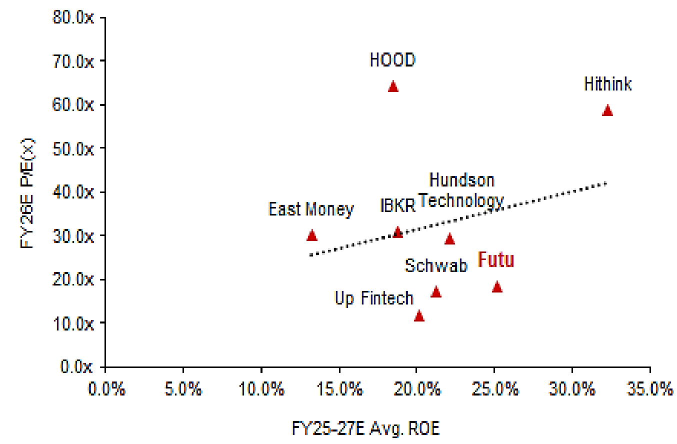
Source: Wind, CMBIGM

Fig 5: Futu's P/E(x) valuation trading band



Source: Wind, CMBIGM estimates

Fig 6: Futu's FY26E P/E(x) and ROE vs. peers



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

Peers' comp table of P/E(x) in FY25E-28E vs. Futu

Company	Ticker	Last price (LC)	2025E	2026E	2027E	2028E
Up Fintech Holdings	TIGR US	10.28	12.9x	11.9x	9.8x	8.3x
Robinhood Markets Inc.	HOOD US	139.79	77.7x	64.2x	55.8x	55.3x
Interactive Brokers	IBKR US	68.75	33.6x	30.8x	28.2x	25.8x
Charles Schwab	SCHW US	94.42	20.2x	17.4x	14.7x	12.8x
East Money	300059 CH	25.90	34.1x	30.3x	27.1x	25.4x
		Median	***33.6x***	***30.3x***	***27.1x***	***25.4x***
		Mean	***35.7x***	***30.9x***	***27.1x***	***25.5x***
Futu Holdings Ltd.	**FUTU US**	**178.38**	***20.3x***	***18.3x***	***16.1x***	***14.2x***
	Discount vs. peers (%)		*-39.4%*	*-39.5%*	*-40.5%*	*-44.3%*

Source: Bloomberg, CMBIGM | Note: Stock price data quoted by market close on 24 Oct 2025 (Fri). FY25-28E EPS estimates of Up Fintech, Robinhood, Interactive Brokers, Charles Schwab, and East Money are quoted from Bloomberg consensus as of 24 Oct 2025 (Fri).

Financial Summary

INCOME STATEMENT	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK$ mn)						
Revenue	**7,614**	**10,008**	**13,590**	**20,125**	**21,886**	**24,734**
Cost of goods sold	(996)	(1,536)	(2,445)	(2,798)	(3,008)	(3,447)
Gross profit	**6,618**	**8,472**	**11,145**	**17,327**	**18,878**	**21,288**
Operating expenses	**(3,049)**	**(3,465)**	**(4,523)**	**(5,279)**	**(5,753)**	**(6,374)**
Selling expense	(896)	(710)	(1,409)	(1,745)	(1,481)	(1,403)
Admin expense	(931)	(1,313)	(1,620)	(1,755)	(2,120)	(2,515)
R&D expense	(1,222)	(1,441)	(1,494)	(1,779)	(2,152)	(2,456)
Operating profit	**3,569**	**5,007**	**6,622**	**12,048**	**13,125**	**14,914**
Other income	(210)	33	(86)	(189)	0	0
Pre-tax profit	**3,359**	**5,041**	**6,535**	**11,859**	**13,125**	**14,914**
Income tax	(414)	(748)	(998)	(2,154)	(2,362)	(2,684)
Others	(18)	(13)	(104)	(99)	(97)	(110)
Net profit	**2,927**	**4,281**	**5,443**	**9,613**	**10,672**	**12,127**
Adjusted net profit	**3,131**	**4,570**	**5,768**	**9,955**	**11,079**	**12,602**

BALANCE SHEET	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK$ mn)						
Cash & equivalents	5,029	4,938	11,688	8,890	14,072	20,012
Cash held on behalf of clients	50,685	44,369	68,640	119,790	144,051	167,966
Restricted cash	1	1	1	8	8	8
Receivables	9,829	10,148	22,843	33,774	38,538	43,898
Loans and advances	26,713	32,547	49,714	55,982	71,293	87,598
Prepaid assets	29	55	63	102	124	150
ST bank deposits	6	6	5	5	5	5
Other current assets	809	3,383	2,949	4,197	4,343	4,494
Right-of-use assets	197	224	253	151	74	29
Long-term investments	240	239	573	724	753	784
Other non-current assets	965	1,227	2,026	2,416	2,514	2,616
Total assets	**94,503**	**97,136**	**158,757**	**226,038**	**275,774**	**327,561**
Amounts due to related parties	53	69	79	174	174	174
Payables	69,177	64,654	117,174	172,511	209,072	246,279
Lease liabilities	211	238	277	504	504	504
Securities purchased under agreements to repurchase	0	0	2,575	1,171	1,171	1,171
Accrued expenses	1,706	1,939	4,937	4,108	4,940	5,760
Long-term borrowings	2,481	5,652	5,702	9,396	11,076	12,721
Other non-current liabilities	14	12	8	6	7	7
Total liabilities	**73,641**	**72,564**	**130,752**	**187,870**	**226,944**	**266,616**
Share capital	0	0	0	0	0	0
Retained earnings	7,079	11,361	14,653	24,263	34,928	47,047
Other reserves	13,782	13,208	13,358	13,919	13,919	13,919
Total shareholders' equity	**20,862**	**24,569**	**28,011**	**38,182**	**48,847**	**60,966**
Minority interest	0	3	(7)	(13)	(17)	(21)
Total equity and liabilities	**94,503**	**97,136**	**158,757**	**226,038**	**275,774**	**327,561**

CASH FLOW	2022A	2023A	2024A	2025E	2026E	2027E
YE 31 Dec (HK$ mn)						
Net change in cash	**(3,576)**	**(6,408)**	**31,021**	**48,358**	**28,117**	**27,998**
Cash at the beginning of the year	59,292	55,716	49,308	80,329	130,014	159,989
Cash at the end of the year	**55,716**	**49,308**	**80,329**	**128,688**	**158,130**	**187,986**
PROFITABILITY	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
Gross profit margin	86.9%	84.7%	82.0%	86.1%	86.2%	86.1%
Operating margin	46.9%	50.0%	48.7%	59.9%	60.0%	60.3%
Non-GAA[net margin	41.1%	45.7%	42.4%	49.5%	50.6%	51.0%
Return on equity (ROE)	14.0%	18.8%	20.7%	29.0%	24.5%	22.1%
VALUATION	**2022A**	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
YE 31 Dec						
P/E (x)	68.4	45.5	35.6	20.3	18.3	16.1
P/B (x)	9.8	8.1	7.1	5.3	4.1	3.3
EV/EBITDA (x)	51.4	34.5	26.8	15.1	13.6	12.0

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

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