CITIC Securities - A

Thoughts on the share placement - potential negative market reaction may create attractive entry point

Overweight

600030.SS, 600030 CH

Price: Rmb25.35

28 May 2026

Price Target: Rmb33.00

PT End Date: 31 Dec 2026

Banks & Financial Services

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Citic Securities has announced plans to raise Rmb16bn from its major shareholder Citic Financial Holding through H-share issuance, at a price of HK$23.13 per share, or 8% below yesterday's H-share close (May 28). This will enlarge Citic Sec's share base by 5%, and we believe the initial market reaction could be negative. However, we believe the share placement is positive for Citic Sec in the medium to longer run as it should reinforce Citic Sec's leading position among large brokers, and the impact on EPS dilution should be limited as all proceeds will be used in international business development (which generates a higher ROE). We would view share price weakness as an opportunity to add. Reiterate OW.

- **What's new?** On May 28, Citic Sec announced through exchange filing that it plans to raise Rmb16bn through H-share issuance to its largest shareholder, Citic Financial Holding, at a price of HK$23.13 per share, or 8% below the last H-share close. Citic Sec plans to us all proceeds to develop its international business, with specific uses including capital injections into CITIC Securities International, expansion of capital intermediary businesses, and replenishment of liquidity for overseas operations (link).
- **We expect EPS dilution to be limited:** The share placement will enlarge Citic Sec's share base by 5%, and Citic Financial Holding's stake in Citic Sec will increase from 19.84% to 23.91%. Table 1 summarizes our analysis on the impact of the share placement on Citic Sec's financials, where we forecast 2026-27E EPS to be reduced by 2%/2%. However, the actual impact could be more muted, as international business should generate a higher ROE than the overall business.
- **Initial share price reaction could be mildly negative if we reference to past cases:** We do not view the announcement as a major surprise. Note that GTHT and CICC are replenishing capital through consolidation, and Huatai Sec and Guangfa Sec announced their capital-raising plans earlier this year (link). Citic Sec was one of the few leading brokers that had not yet replenished its capital. If we take reference to Guangfa and Huatai Sec, their share prices dropped by 5% on average on the first trading day post announcement (Table 2), on market concerns about potential dilution impact from capital raising. As such, we expect the initial share price reaction could be mildly negative for Citic Sec.
- **We would view any share price weakness as an opportunity to add:** While the initial market reaction may be negative on dilution concerns, we believe the capital raising is fundamentally positive in the long run.

First, the Rmb16bn H-share issuance will further strengthen Citic Sec's capital base and reinforce its leading position among peers. **Second,** as all proceeds are used for international business expansion, an area that should generate higher ROE than the group average, the actual EPS dilution could be more limited. **Third,** the placement demonstrates a vote of confidence from the major shareholder.

Table 1: Impact of the share placement on Citic Sec's financials

	2026E			2027E		
(RMB mn)	JPMe	Pro-forma	Difference	JPMe	Pro-forma	Difference
Net profits	36,595	36,914	1%	40,347	41,625	3%
Dividend (Cash)	12,623	12,733	1%	13,917	14,358	3%
Equity (EOP)	346,307	362,487	5%	374,195	391,003	4%
Equity (BOP)	319,930	319,930	0%	346,307	362,487	5%
Equity (Average)	333,119	341,209	2%	360,251	376,745	5%
Total shares (mn)	14,821	15,615	5%	14,821	15,615	5%
Weighted average shares	14,821	15,218	3%	14,821	15,615	5%
EPS (RMB)	2.47	2.43	-2%	2.72	2.67	-2%
BVPS (RMB)	23.37	23.21	-1%	25.25	25.04	-1%
ROE	10.99%	10.82%	-17bps	11.20%	11.05%	-15bps
ROA	1.65%	1.65%	0bps	1.65%	1.69%	4bps
Average assets/ average equity (incl. client $)	6.66 x	6.55 x	-0.11 x	6.80 x	6.55 x	-0.25 x

Source: Company report, J.P. Morgan estimates.

Table 2: Guangfa Sec and Huatai Sec's share price performance post capital-raising announcements

	Share price performance			Relative performance (vs Hang Seng Index or CSI 300 index)		
	1 day	7 days	1 Months	1 day	7 days	1 Months
GF-A	-3%	-4%	-10%	-2%	-3%	-7%
GF-H	-4%	-7%	-15%	-3%	-7%	-14%
Huatai-A	-4%	0%	-10%	-5%	-2%	-11%
Huatai-H	-8%	-4%	-14%	-8%	-5%	-9%
Average	**-5%**	**-3%**	**-12%**	**-5%**	**-4%**	**-10%**

Source: Bloomberg Finance L.P. Note: Guangfa announced its capital-raising plan on Jan 7, 2026. Huatai announced its capital-raising plan on Feb 3, 2026.

Investment Thesis

We have an OW rating on Citic Sec-A with a Dec-26 PT of Rmb33.00. We view Citic Sec as a key beneficiary of institutional business recovery and overseas business growth. In addition, Citic Sec is gaining market share in margin financing and maintained a strong market share in equity brokerage. We expect the strong momentum in 1Q26 will be sustained for the rest of year.

Valuation

Our Dec-26 PT of Rmb33.00 is derived from a combination of DDM for FY26-28E dividends and terminal value based on ROE-g/COE-g methodology. We compound the time value to derive a fair value of Rmb26.4 for Dec-26 from the current fair value of Rmb24.6. We apply a one-year moving-average A/H premium on top of fair value. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8%, a beta of 1.10x and a long-term growth rate of 4.5%.

Valuation Summary

DDM valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.1x
Cost of capital	10.6%
Long-term growth	4.5%
Fair terminal P/BV multiple	1.06x
BVPS - 2026E (Rmb)	23.4
DPS - 2026E (Rmb)	0.9
Valuation date	17-Apr-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	22.1
PV of dividends (Rmb per share)	2.5
Current fair value (Rmb)	24.6
Dec-26 fair value (Rmb)	**26.4**
Dec-26 price target (Rmb)	**33.0**
**A/H premium*	*125%*

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks include: (1) faster-than-expected capital consumption, leading to rising capital replenishment needs; (2) losses on investments; (3) an inability to exit principal investments due to sluggish capital markets; and (4) deteriorating trends in A-shares.

Upside risks include: (1) stronger-than-expected equity market performance and market sentiment; (2) stronger-than-expected institutional business recovery; and (3) strong increase in trading turnover volume.

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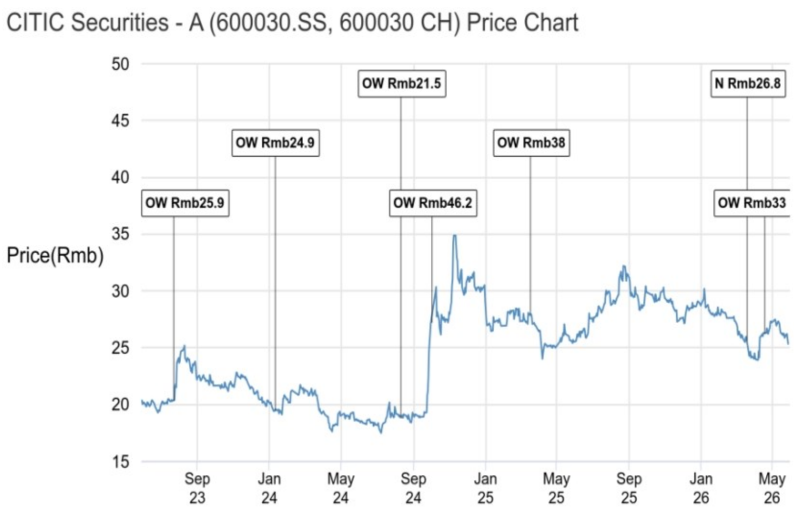

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage May 30, 2012. All share prices are as of market close on the previous business day.

Date	Rating	Price (Rmb)	Price Target (Rmb)
24-Jul-23	OW	20.36	25.9
11-Jan-24	OW	19.46	24.9
11-Aug-24	OW	18.89	21.5
03-Oct-24	OW	27.20	46.2
19-Mar-25	OW	27.95	38
20-Mar-26	N	25.61	26.8
19-Apr-26	OW	26.26	33

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