China International Capital Corp. (3908.HK): CEO meeting takeaways

Shuo Yang, Ph.D.
+852-2978-0701 | shuo.yang@gs.com
Goldman Sachs (Asia) L.L.C.

Claire Ouyang
+852-2978-6686 |
claire.x.ouyang@gs.com
Goldman Sachs (Asia) L.L.C.

We had a group meeting with CEO and IR team of **CICC** during our China financial trip, and summarize key takeaways as follows: According to the company: 1) Regulatory tightening on non-compliant online brokers is creating a tailwind for **CICC** to capture a larger share of compliant, high-net-worth clients seeking overseas investment channels; 2) **CICC** is aggressively expanding its highly profitable Hong Kong operations, injecting more capital into its Hong Kong subsidiary and increasing its balance sheet leverage to a target of 10-12x; 3) Following strong 1Q26 performance, the firm is targeting an ROE improvement to a 13-15% range over the next three years, driven primarily by merger synergies; and 4) The highly synergistic merger will provide **CICC** with a substantial capital base and a vast retail network, fueling its strategic ambition to scale its high-end wealth management business.

1. Regulatory Dynamics & Market Impact

- Impact of the recent online broker regulation on **CICC**: **CICC** reports no negative impact from this regulatory action, as its operations strictly adhere to compliance standards by exclusively serving clients with legitimate overseas identities. Management views this enforcement as a positive development that benefits compliant, market-leading players.
- Hong Kong IPO Market Impact: **CICC** anticipates no significant disruption to the Hong Kong IPO market for three key reasons: 1) The affected mainland investors represent a small fraction of total market activity; 2) Major IPO allocations are predominantly distributed to institutional and overseas investors; and 3) High-net-worth investors are expected to utilize alternative, compliant channels to continue their investment activities.
- Wealth Management Opportunity: **CICC** is experiencing rapid growth in its compliant client base in both Hong Kong and Singapore. This trend is supported by two major macro factors: Hong Kong's emergence as the world's largest wealth management center (surpassing Switzerland) and the sustained, multi-trillion-dollar outflow of Chinese wealth, which is considered a long-term historical trend.

2. Hong Kong Business & Capital Allocation

- Strategic Positioning: **CICC** is injecting additional capital into its Hong Kong subsidiary to solidify and maintain its position as the largest Chinese broker in

Hong Kong by net capital.

- Financial Contribution: The Hong Kong business is a critical growth driver, contributing over 40% of **CICC**'s total profit. Its revenue contribution has risen from over 30% in 2025 to 35% in 1Q26, the highest proportion among all Chinese brokers.
- Capital Allocation: Approximately 50% of the capital in Hong Kong is allocated to institutional businesses, including IPOs, derivatives, and Total Return Swaps (TRS).
- Balance Sheet Expansion: Driven by strong market demand, management noted the Hong Kong business's leverage increased from approximately 7x at year-end 2025 to over 9x as of late May 2026. The firm has a near-term leverage target of 10-12x, moving back towards a historical high of 15x that was seen before a recent decline due to fewer market opportunities.
- Hong Kong IPO Market Share: **CICC** achieved an approximate 30% market share in Hong Kong IPO market in 2025 and anticipates a similar performance in 2026. Its primary competitors are major international investment banks (**Morgan Stanley, JP Morgan, etc.**) and **CITICS**, which is aggressively competing for market share.

3. Performance & Market Outlook

- **CICC**'s 1Q26 performance was strong, significantly outperforming peers. The key driving factors include: 1) Primary Market: Grew by over 200% last year, and in the 1Q26, it saw a YoY growth of over 400%. The company currently has more than 180 projects in its IPO pipeline. 2) Secondary Market: The A-share market ADTV has stabilized at approximately Rmb 3tn (compared to Rmb 1.2-1.5tn last year), which has driven growth in trading revenue. Both the brokerage and institutional businesses have grown by over 40% this year.
- Investment Income accounts for approximately 40-50% of total revenue, of which about 70% is derived from equity-related business, and a maximum of 30% comes from FICC, with the majority of this being client-demand driven. **CICC** does not engage in large-scale proprietary trading. Its holdings are primarily maintained to meet client needs (such as for derivatives hedging, equity-backed financing, etc.). Currently, the stock holdings in its own proprietary account amount to about Rmb 7bn (including facilitation swaps, the vast majority of which are recorded in OCI account), and CICC expects it to triple after the upcoming merger.
- Private Equity: Gains from private equity exits have historically constituted a small portion of revenue, around 3-5%. In the future, this will be more actively treated as a strategic business segment and will be linked with the investment banking division per management.
- Management believes that as long as the market features attractive themes (such as AI, large-scale IPOs, etc.) and a sustained low-interest-rate environment, the current high trading volume is unlikely to experience a dramatic decline. However, management believes a comprehensive improvement in economic fundamentals would be even more beneficial for overall market liquidity.
- **CICC**'s stock price has outperformed the industry. However, the industry as a whole has seen its valuation not fully reflect its performance improvement. Management

believes this is because investors are more focused on short-term themes and speculation rather than on fundamental analysis. If the company continues to perform well in the second and third quarters, it expects to attract more long-term investor attention.

- **CICC**'s net profit margin has risen from single digits in 2023 to 30%-31% in 2024/25, and it exceeded 40% in the 1Q26.
- Management views the upcoming merger as the core driver for ROE improvement. By incorporating a larger capital base and realizing synergies (especially in the wealth management business), while costs remain relatively fixed, **CICC** expects to boost its ROE to a range of 13-15% in the next three years.

4. M&A and Future Strategy

- The transaction is expected to be completed in early September. The merger will supplement **CICC**'s capital and bring in approximately 200 business branches and their associated client resources.
- The overseas subsidiary of the target companies(which accounts for less than 3% of its revenue) may be merged into **CICC**'s operations or sold off. This follows a precedent set when **CICC** acquired **China Investment Securities** and subsequently sold its overseas license to **Soochow Securities**.
- Synergies: There is a high degree of complementarity with the two local brokers being acquired. **CICC**'s strengths are in its institutional business and overseas presence, but it is weaker in terms of capital base and local market coverage. Conversely, the acquisition target is strong in local retail brokerage and capital. Post-integration, **CICC** stated it plans to create synergies not by engaging in price competition, but by offering its unique, high-end wealth management products (such as investment advisory portfolios curated and selected by a 300-person team) to the target's existing client base.
- Balance Sheet Utilization: Management stated the balance sheet will be primarily used for client-driven businesses, such as margin financing, derivatives, and hedging services. Following the merger, the scale of proprietary trading will be moderately increased.
- Difference from the **GuoTai Haitong** Merger Case: The proposed merger between **Guotai Junan** and **Haitong Securities** was a merger of peers with similar business models, offering little complementarity. In contrast, the **CICC** merger is highly complementary: **CICC** is strong in institutional and overseas business but lacks capital and local coverage, while the target company is the opposite.
- Post-merger, **CICC**, much like its competitor **CITICS**, will become one of the few comprehensive brokers with capabilities that span across multiple business lines and geographical regions. The primary difference between the two will likely lie in the specifics of their strategic execution.

Price Target Risks and Methodology - China International Capital Corp.

We are Buy/Neutral on **CICC-H/CICC-A**. Our 12-month target prices of HK$ 30.45/Rmb 45.72 are based on 11x/18x 2027E P/Es.

Downside risks: 1) weaker-than-expected China capital market, 2) OTC derivative losses, 3) decreased AUM and fee rate, 4) higher cost income ratio.

Upside risks for A shares: 1) improving brokerage fee and IBD income, 2) increasing OTC derivative business and income growth, 3) more cost savings to support ROE.

3908.HK	12m Price Target: **HK$30.45**	Price: **HK$19.62**	Upside: **55.2%**
601995.SS	12m Price Target: **Rmb45.72**	Price: **Rmb33.79**	Upside: **35.3%**

Buy

Market cap: HK$94.7bn / $12.1bn
3m ADTV: HK$320.1mn / $40.9mn
China
China Brokers & AM
M&A Rank: 3

GS Forecast

	12/25	12/26E	12/27E	12/28E
Revenue (Rmb mn)	28,481.1	33,304.0	33,204.9	34,647.6
Net inc. (Rmb mn)	9,790.5	12,100.4	12,260.0	12,964.9
Net inc. growth (%)	71.9	23.6	1.3	5.7
EPS (Rmb)	2.03	2.51	2.54	2.69
ROA (%)	1.3	1.4	1.3	1.3
ROE (%)	8.2	9.1	8.3	8.1
P/E (X)	7.9	6.8	6.7	6.3
P/B (X)	0.6	0.6	0.5	0.5
Dividend yield (%)	1.1	1.3	1.3	1.4

	3/26	6/26E	9/26E	12/26E
EPS (Rmb)	0.74	0.53	0.46	0.78

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 29 May 2026 close.

Disclosure Appendix

Reg AC

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Contributing Authors: Shuo Yang, Ph.D. Goldman Sachs (Asia) L.L.C., Claire Ouyang Goldman Sachs (Asia) L.L.C..

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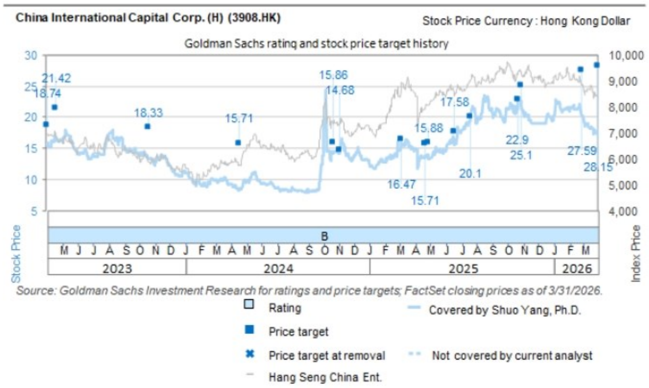

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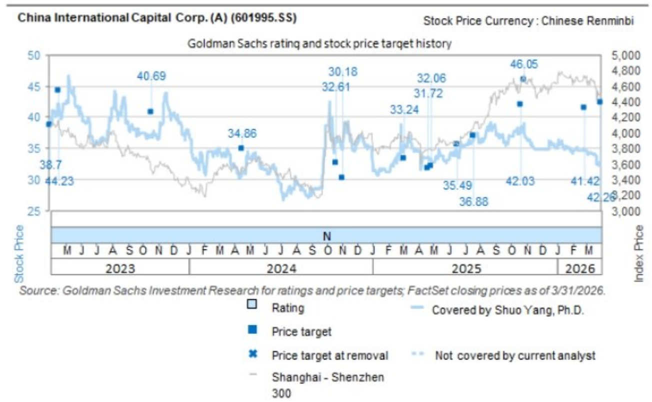

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Target price history table(s)

China International Capital Corp. (A) (601995.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
30-Apr-26	45.72	34.23
21-Apr-26	44.58	33.93
01-Apr-26	42.26	32.68
27-Feb-26	41.42	34.65
29-Oct-25	46.05	39.03
22-Oct-25	42.03	37.42
21-Jul-25	36.88	36.61
19-Jun-25	35.49	33.79
28-Apr-25	32.06	32.86
22-Apr-25	31.72	33.53
06-Mar-25	33.24	35.81
04-Nov-24	30.18	35.77
21-Oct-24	32.61	35.86
18-Apr-24	34.86	31.34
20-Oct-23	40.69	37.23

China International Capital Corp. (H) (3908.HK)

Date of report	Target price (HK$)	Closing price (HK$)
30-Apr-26	30.45	20.22
21-Apr-26	29.70	19.94
01-Apr-26	28.15	17.20
27-Feb-26	27.59	20.26
29-Oct-25	25.10	22.74
22-Oct-25	22.90	21.34
21-Jul-25	20.10	20.55
19-Jun-25	17.58	15.64
28-Apr-25	15.88	13.28
22-Apr-25	15.71	13.80
06-Mar-25	16.47	15.86
04-Nov-24	14.68	14.72
21-Oct-24	15.86	14.22
18-Apr-24	15.71	8.60
20-Oct-23	18.33	13.36

Price targets shown in table(s) are unadjusted for corporate actions.

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