China International Capital Corporation (3908)

ROE accretive merger + tech cycle upside drive re-rating potential; raise PT, reiterate sector top pick

Overweight

3908.HK, 3908 HK

Price (29 Jun 26): HK$20.54

▲ **Price Target (Jun-27): HK$28.50**
Prior (Dec-26): HK$24.50

Our analysis suggests CICC's ongoing merger is ROE-accretive, with the pace of ROE recovery to be faster than investors currently expect. We forecast ROE to rise from 9.4% in 2025 to 11.3% in 2027, driven by the strong market conditions and balance sheet re-leverage post the merger. We also view CICC as a differentiated beneficiary of China's technology-sector growth cycle and expect it to outperform peers in capturing regulatory tailwinds for brokers' institutional businesses. Our 2027 ROE forecast of 11.3% is meaningfully above Bloomberg consensus of 10.2%, and we expect upward consensus revisions to catalyze a re-rating. Accordingly, we raise our price target to HK$28.50 and reiterate CICC-H as our sector top pick.

- **Uniquely positioned to benefit from the technology-sector growth cycle:** CICC has a best-in-class investment banking franchise and has been actively involved in technology enterprises' financing. It holds the largest market share in the A- and H-share IPO markets in 2026 YTD and maintains a robust IPO pipeline. We expect the ongoing technology-sector growth cycle in China to support CICC's investment banking fees, IPO co-investment income, and private equity investment returns.

- **Ongoing merger to be ROE-accretive:** We believe the market underappreciates the speed at which CICC can re-leverage its balance sheet under current market conditions (potentially within 1–2 quarters post the merger), implying a faster-than-expected ROE recovery. We estimate ROE will improve from 9.4% in 2025 to 11.3% in 2027 (Figure 5), as merger synergies more than offset dilution, alongside a better operating backdrop in 1H26 versus 2025. In a bull-case scenario where ADT and market sentiment remain elevated from 2H26 onward, we estimate ROE could reach 13.5% in 2027 (Figure 6).

- **Regulatory tailwinds for institutional business to support ROE recovery and multiple re-rating:** CICC's ROE was disproportionately impacted during the 2023–2024 regulatory tightening cycle for brokers' institutional businesses, reflecting its higher exposure, and contributing to the multiple de-rating of CICC-H. Since 2025, regulators have shifted to a more supportive stance toward brokers' institutional activities, and we expect CICC to be a key beneficiary. With our 2027E ROE at 11.3% versus consensus at 10.2%, we see scope for consensus upgrades, supporting a multiple re-rating toward 1.0x forward P/B.

- **Estimate changes:** We revise 2026-28E earnings by 7%/12%/10% and roll forward the PT valuation date to June 2027. As a result, we raise our PT to HK$28.50 and maintain an OW rating on CICC-H.

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Key Changes (FYE Dec)

	Prev	Cur	Δ
Adj. EPS - 26E (Rmb)	2.35	2.53	7.6%
Adj. EPS - 27E (Rmb)	2.17	2.44	12.2%

Style Exposure

Quant Factors	Current %Rank	Hist %Rank (1=Top) 6M	1Y	3Y	5Y
Value	21	39	37	26	30
Growth	69	60	81	62	62
Momentum	24	11	22	50	32
Quality	71	66	82	57	57
Low Vol	76	96	96	54	59
ESGQ	88	18	26	5	-

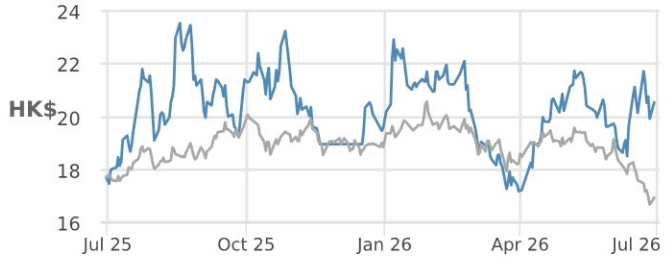
Sources for: Style Exposure – J.P. Morgan Global Markets Strategy; all other tables are company data and J.P. Morgan estimates.

See page 17 for analyst certification and important disclosures, including non-US analyst disclosures.

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Price Performance



— 3908.HK Price (HK$) — HSI (rebased)

	YTD	1m	3m	12m
Abs	5.0%	4.7%	16.1%	15.6%
Rel	15.2%	13.2%	23.8%	20.0%

Company Data

Shares O/S (mn)	4,827
52-week range (HK$)	24.34-16.91
Market cap ($ mn)	12,644
Exchange rate	7.84
Free float (%)	89.0%
3M ADV (mn)	16.46
3M ADV ($ mn)	42.0
Volatility (90 Day)	40
Index	HSI
BBG ANR (Buy | Hold | Sell)	21|0|0

Key Metrics (FYE Dec)

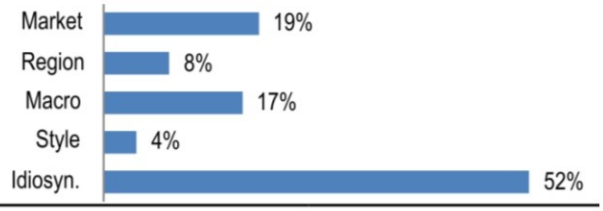
Rmb in millions	FY25A	FY26E	FY27E	FY28E
Financial Estimates				
Investment banking	4,405	5,545	6,471	7,174
Brokerage commissions	8,156	12,544	15,995	16,398
Asset management income	3,439	3,954	4,548	5,093
Trading income	14,201	18,436	23,884	26,741
Total non-interest income	1,919	2,156	2,404	2,683
Net interest income	(1,038)	847	1,826	2,344
Net revenue	31,081	43,482	55,128	60,434
Operating expense	(29,132)	(37,165)	(45,224)	(49,036)
Adj. pre provison profit	11,961	18,037	24,185	27,035
Adj. PBT	11,713	17,797	23,954	26,812
Adj. net income	9,054	14,145	19,296	21,687
Adj. EPS	1.88	2.53	2.44	2.74
BBG EPS	1.80	2.50	2.83	3.17
DPS	0.32	0.30	0.42	0.47
BVPS	20.71	20.51	22.64	24.96
Total Assets	782,826	1,128,526	1,333,704	1,447,821
Margins and Growth				
Net margin	-	-	-	-
Adj. EPS growth	81.2%	34.6%	(3.6%)	12.4%
Ratios				
Adj. tax rate	16.3%	16.3%	16.3%	16.3%
Cost to income ratio	71.5%	67.7%	65.5%	64.7%
Dividend payout	17.1%	12.1%	17.1%	17.1%
Commission / Avg. asset	2.4%	2.5%	2.4%	2.2%
ROA	1.2%	1.5%	1.6%	1.6%
Valuation				
Dividend yield	1.8%	1.7%	2.3%	2.6%
Adj. P/E	9.5	7.1	7.3	6.5

Summary Investment Thesis and Valuation

We are positive on CICC for the following reasons: 1) CICC is uniquely positioned to benefit from the technology-sector growth cycle; 2) we view CICC as a key beneficiary of institutional business recovery; 3) the acquisition of two small brokers will be complementary to CICC's existing business, and support profits and EPS growth.

Our Jun-27 PT of HK$28.50 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 Rmb24.8 for Jun-27 and use spot CNY/HKD to convert to HKD. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.15x and a long-term growth rate of 4.5%.

Performance Drivers



Factors	6M Corr	1Y Corr
Market: MSCI Asia Pac ex JP	0.28	0.38
Region: China	0.25	0.42
Macro:		
Citi Economic Surprise - EM	-0.36	-0.47
JPM China A-shares Sentiment	0.27	0.29
Emerging Economies CPI(YoY)	-0.30	-0.16
Quant Styles:		
Quality	0.02	-0.25
Growth	-0.25	-0.19
Size	-0.08	-0.17

Source: J.P. Morgan Global Markets Strategy for Performance Drivers; company data, Bloomberg Finance L.P. and J.P. Morgan estimates for all other tables. Note: Price history may not be complete or exact.

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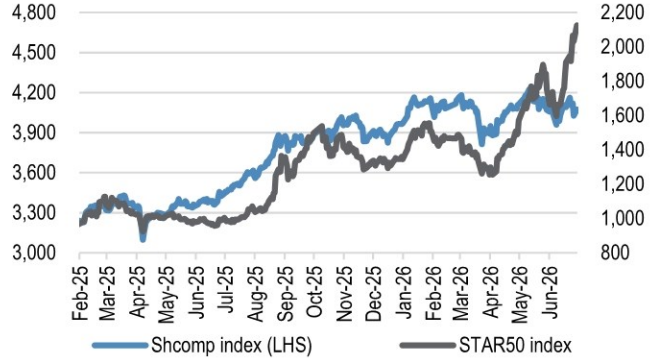
Key beneficiary of institutional business recovery and tech sector growth cycle

Uniquely positioned to benefit from tech sector growth cycle

- **Strong policy tailwind for the tech cycle:** Our China Strategy Team emphasized in their latest report that China's national AI strategy creates a self-sustaining growth cycle independent of global tech cycles, anchored by explicit policy targets and accelerating end-market penetration, creating unique investment opportunities (link). There has been strong policy support on technology enterprises' financing, with policymakers calling for deepening ChiNext and STAR board reforms to support innovative companies' financing at the recent Lujiazui Forum (link).
- **We expect brokers to benefit across three business lines: First,** the increasing number of technology enterprise listings should lead to higher investment banking fees for China brokers. **Second,** the focus on supporting the technology sector will improve equity market velocity. We think this partly contributed to the significant growth in turnover volume and supported China brokers' brokerage revenues. **Third,** listed tech companies also saw strong share price rallies in 2026, with the STAR50 index up over 50% in 2Q26, which should benefit brokers' investment income through IPO co-investment and pre-IPO investments (e.g., PE investments).
- **CICC is uniquely positioned to benefit from this trend:** CICC has a best-in-class investment banking business and has been deeply involved in technology enterprises listing. It has the largest market share in the A- and H-share IPO markets in 2026 YTD and a strong IPO pipeline. Table 1 summarizes CICC's participation in major IPO deals in 2026 YTD. In particular, CICC is

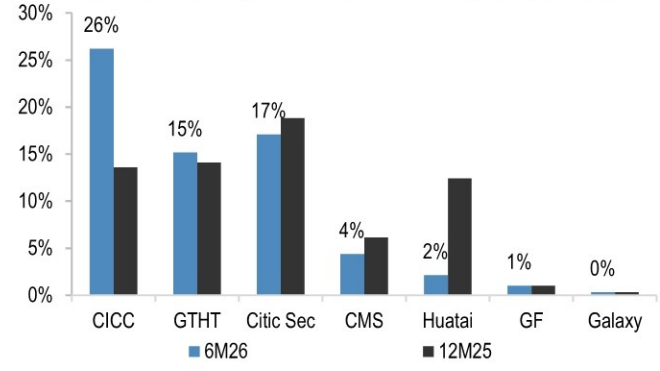
participating in CXMT's listing, which we expect to generate positive returns via IPO co-investment income and the performance fee of the PE business.

Figure 1: STAR 50 index has seen a strong rally in 2026 YTD, benefiting brokers' investment income



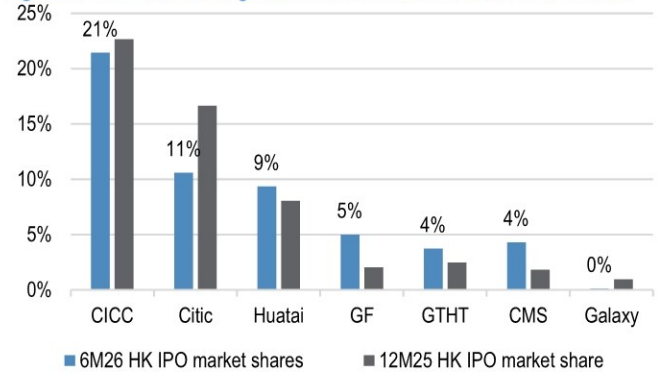
Source: Bloomberg Finance L.P. Data as of June 29, 2026.

Figure 2: CICC has the highest market share in A-share IPO market



Source: Wind. Data as of June 29, 2026.

Figure 3: CICC has the highest market share in H-share IPO market



Source: Wind. Data as of June 29, 2026.

Table 1: Summary of CICC's key IPO deals in 2026

Company name (Chinese)	Company name (English)	Listed?	Stock code	IPO amount	Note
A share					
长鑫科技	ChangXin Memory Technologies	N	NA	Rmb30bn (plan)	To be listed in July 2026. CICC is the primary sponsor; we estimate potential IPO-investment ticket of ~RMB0.6bn for CICC.
华润新能源	CR New Energy	N	NA	Rmb24.5bn (plan)	To be listed in July 2026.
盛合晶微	SJ Semiconductor	Y	688820 CH	Rmb5bn	Listed in April 2026, share price increased from Rmb19.68 to Rmb210. Potential investment gain for CICC's co-investment is ~Rmb1bn.
惠科股份	HKC Corporation	Y	001399 CH	Rmb7.4bn	Listed on June 26, 2026.
H share					
牧原股份	Muyuan Foodstuff	Y	2714 HK	HK$12bn	
澜起科技	Montage Technology	Y	6809 HK	HK$8bn	
壁仞科技	Biren Technology	Y	6082 HK	HK$6.4bn	
华勤技术	Huaqin	Y	3296 HK	HK$5.2bn	

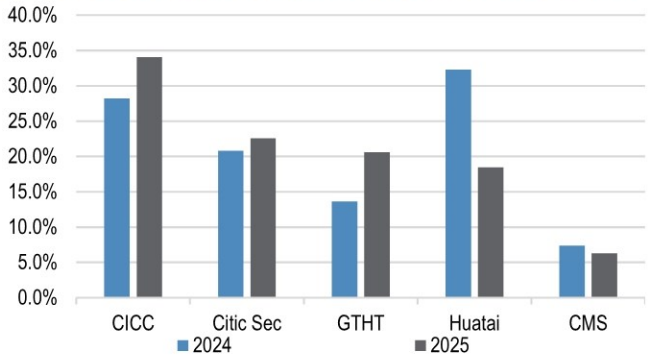
Source: SSE, HKEX, J.P. Morgan. Data as of June 29, 2026.

Benefiting from institutional business recovery and overseas business growth

- **Institutional business to see policy tailwinds**: We view 2023-24 as a regulatory tightening cycle for brokers' institutional businesses, with measures including: tightening of the A-share IPO flow since Aug 2023 (link), clampdown on high frequency trading (link), and placing limitations on brokers' derivatives businesses (link). Since 2025, we have noted that regulators have become more supportive, with various new measures announced to support financing of enterprise from new emerging industries, and the speeding up of the A-share IPO review process (link). In addition, CSRC Chairman Wu Qing guided to steady development of futures and derivatives markets at the NPC press conference in March 2026 (link). We expect the supportive regulatory environment to drive the continued growth of brokers' institutional businesses, and CICC should benefit more from this trend.
- **International business is gaining steam**: China brokers in general saw strong growth in overseas business in 2025, and overseas revenue contributions have been picking up. We expect the momentum to continue in 2026 on back of strong HK IPO momentum and increasing demand for cross-border investment activities (for both domestic and offshore investors). CICC has the highest overseas revenue contribution to its total revenues and should benefit more from trends.



Figure 4: Overseas revenue contribution to total revenues by brokers



Source: CICC, Citic Sec, GTHT, Huatai, CMS, 2024-25 financial reports. Note: Galaxy and Guangfa Sec didn't disclose geographical revenues breakdown. We expect overseas revenues contribution to be mid-to-high single digit % for Guangfa, and mid-single digit % for Galaxy. The decline in overseas revenues contribution for Huatai is due to the AssetMark disposal in 2024.

Table 2: China brokers' key overseas subsidiaries and their contributions to total revenues and profits

Rmb bn	2025 revenues	2025 net profits	revenues yoy	profits yoy	Overseas contribution to revenues	Overseas contribution to profits
CITIC Securities International	23.5	6.4	48%	72%	22%	21%
CICC International	13.7	4.6	41%	78%	34%	47%
Guotai Haitong Financial Holdings	9.2	2.4	31%	85%	10%	9%
Huatai International	8.4	3.0	-54%	-54%	18%	18%
CGS International	2.6	0.5	18%	62%	7%	4%
GF Holdings (Hong Kong)	2.1	1.1	115%	54%	5%	8%
CMS International	1.2	0.5	5%	19%	3%	4%

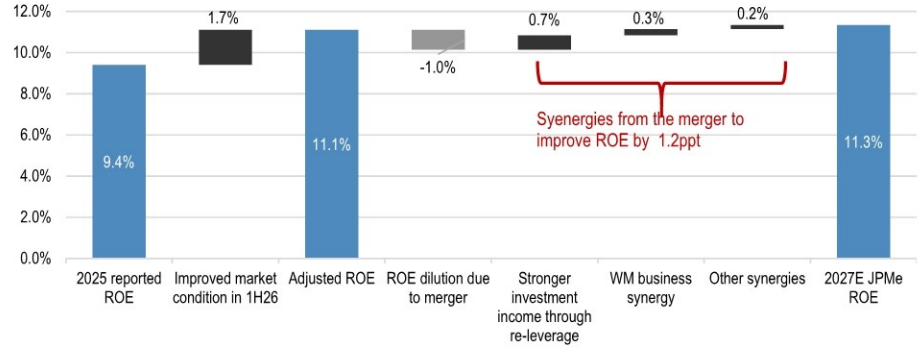
Source: GTHT, CiticSec, Huatai, Galaxy, Guangfa, CMS, CICC 2024-25 financial reports; media report (link). The decline in revenues and profits for Huatai's overseas subsidiary is due to the AssetMark disposal in 2024.

We expect merger to be ROE accretive

Our conversations with investors suggest concerns around potential dilution from CICC's ongoing merger with Cinda Securities and Dongxing Securities. Our static analysis indicates the merger could imply high-single-digit to low-teens downside risk to EPS and ROE (link). While investors acknowledge the potential synergies (link), some worry that any ROE recovery could take time to materialize (i.e., over the next 1–2 years).

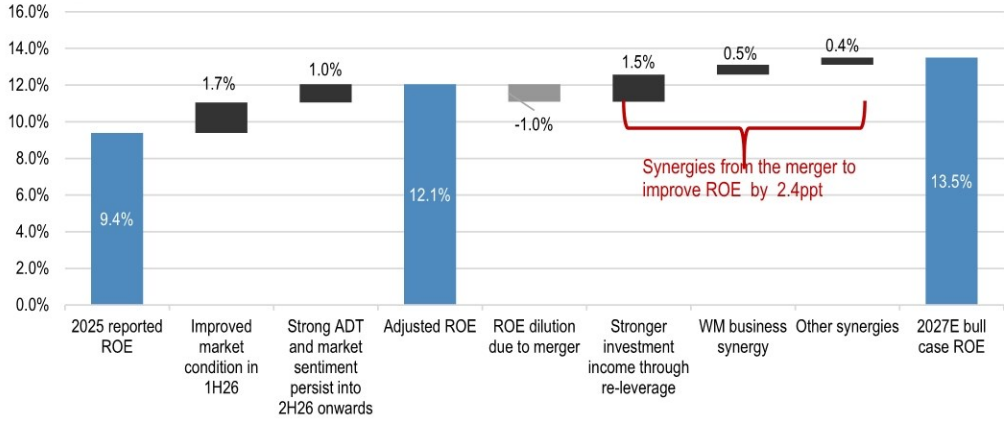
We view these concerns as overdone. In our base case, we expect CICC's ROE to improve from 9.4% in 2025 to 11.3% in 2027E (Figure 5), as merger synergies more than offset dilution and market conditions in 1H26 have improved versus 2025. In a bull-case scenario—where ADT and market sentiment remain elevated from 2H26 onward—we estimate ROE could reach 13.5% in 2027E (Figure 6). We outline our underlying assumptions on page 11.

Figure 5: We expect CICC's ROE to reach 11.3% in our base case, as the ROE dilution from the merger is more than offset by the synergies generated from the merger and the improved market condition



Source: CICC 2025 financial reports, J.P. Morgan estimates.

Figure 6: Under a bull case scenario where the strong ADT and market sentiment persists into 2H26, we estimate CICC's ROE could reach 13.5% by 2027E



Source: CICC 2025 financial reports, J.P. Morgan estimates.

What could investors have missed?

- **We believe investors acknowledge the potential synergies from the merger**: Table 3 summarizes the comparative advantages of CICC, Dongxing and Cinda Sec. CICC has a differentiated strength in mid-to-high-end investment banking and international business and a strong WM product offering, but it has a relatively tight capital position. In comparison, Dongxing and Cinda Sec have solid retail business foundations and strong regional network advantages, and relatively stronger capitation positions. Thus, in our view, the potential synergies come mainly from capital re-allocation and the wealth management business (e.g., cross sell CICC's wealth management products to Dongxing and Cinda clients).
- **What investors could have missed.** We believe investors have failed to realize two things. **First,** it takes CICC only 1-2 quarters to re-leverage its balance in current market conditions, thus ROE recovery could be faster than investors' expectations. Our study of CICC's A-share IPO case suggests it takes CICC only 1-2 quarters to deploy the capital and drive the ROE recovery. **Second,** CICC has rich experience in consolidating retail brokers and growing the wealth

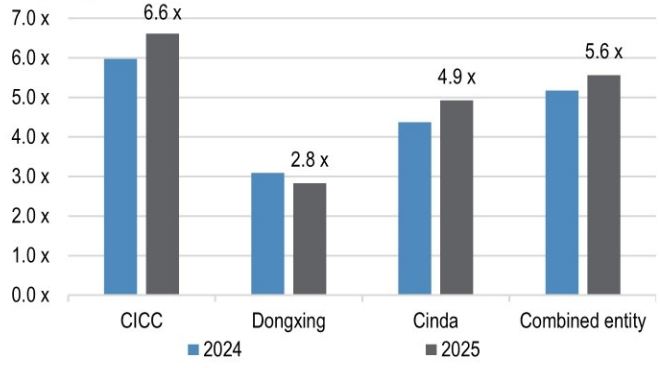
management business. Its consolidation of China Investment Securities (CIS) in 2016 has turned out to be a success. Refer to **Case Study 1 and 2** for details.

Table 3: Comparative advantages of CICC vs Dongxing and Cinda

Advantages of CICC	Internationally recognized brand with a global presence Outstanding cross-border business capacities Balanced business layout and deep strategic client resources Strong capital utilization capacities and efficient capital allocation Industry-leading WM business, with superior product and allocation capacities
Advantages of Dongxing and Cinda	Well-established presence in key regional markets Solid foundation of retail consumer base Relatively ample capital reserves

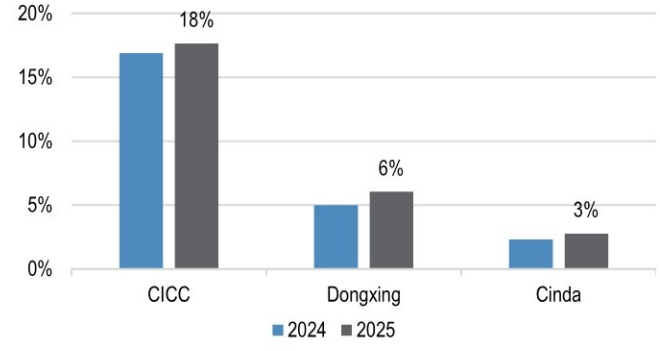
Source: CICC announcement, Dec 17, 2025.

Figure 7: CICC's leverage ratio will be lowered from 6.6x in 2025 to 5.6x through consolidating Dongxing and Cinda Sec



Source: CICC, Dongxing, and Cinda Sec 2024-25 financial reports. Note: we calculate the leverage ratio as "total assets – clients funds / shareholder equity – perpetual bond".

Figure 8: CICC has higher wealth management product sales contribution to brokerage revenues when compared to Dongxing and Cinda, indicating room for cross-selling CICC's WM products



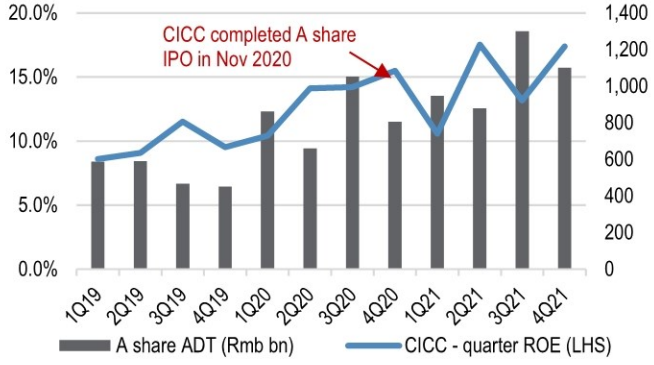
Source: CICC, Dongxing, and Cinda Sec 2024-25 financial reports.

Case Study #1: CICC's A-share IPO – strong capability to expand balance sheet

- **Background of the A-share IPO:** CICC completed its A-share IPO in Nov 2020 and raised ~Rmb13bn through issuing 459mn new shares. This led to a 10% increase in CICC's share count and 23% increase in CICC's shareholder equity, implying a high-single-digit EPS dilution and low-to-mid-teens ROE dilution, on a static analysis basis.

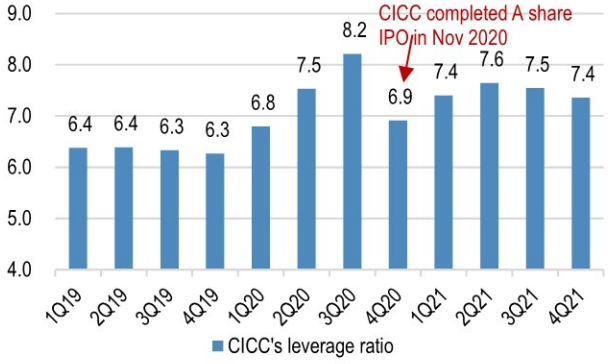
- **Efficient capital deployment and strong ADT lead to a quick recovery in CICC's ROE level after its Aa-share IPO:** CICC's ROE dropped to ~11% in 1Q21 due to the dilution impact from its A-share IPO. However, its ROE quickly recovered to 13-17% levels in 2Q21 to 4Q21. This was driven by efficient capital deployment and elevated ADT levels. On one hand, CICC quickly deployed its capital into investment assets, leading to a 32% increase in investment assets from 3Q20 to 2Q21, and an increase in leverage ratio from 6.9x in 4Q20 to 7.6x in 2Q21. On the other hand, the favorable market condition (ADT was RMB1.06trn in 2021, +25%) also helped to support CICC's market growth and balance sheet expansion.
- **Key takeaways:** It took CICC only 1-2 quarters to expand and re-leverage its balance sheet when market conditions were accommodative, and ROE may recover accordingly.

Figure 9: CICC quarterly ROE trended up in 2021, despite the dilution impact from A-share capital raising in Nov 2020



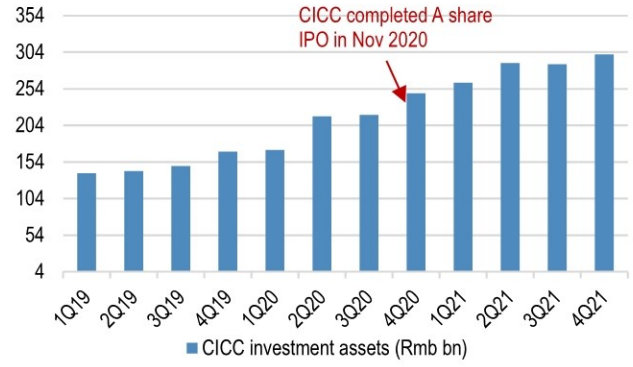
Source: CICC 1Q19-4Q21 financial reports

Figure 10: CICC quickly increased its leverage ratio through balance sheet expansion in 1H21



Source: CICC 1Q19-4Q21 financial reports. Note: we calculate the leverage ratio as "total assets – clients funds / shareholder equity – perpetual bond".

Figure 11: CICC expanded its investment assets from Rmb219bn in 3Q20 to Rmb289bn in 2Q21, +32%

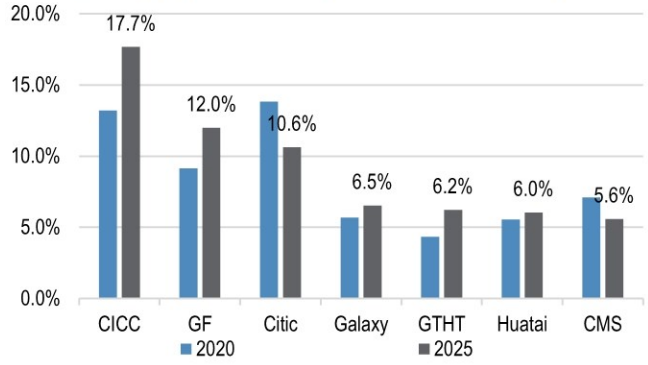


Source: CICC 1Q19-4Q21 financial reports.

Case Study #2: CICC's acquisition in China Investment Sec – Rich experience in consolidating and growing the wealth business

- **Background of the transaction**: CICC completed its full acquisition of China Investment Securities (CIS) in 2016. The historic deal was an all-share acquisition valued at RMB16.7 bn. The all-share deal was settled by issuing CICC domestic shares to Huijin, which significantly increased Huijin's stake in CICC from 28.6% to 58.7%. Acquiring CIS provided it with a massive retail branch network, greatly expanding its overall footprint and client reach (link).
- **Strong growth for the wealth business post the deal**: According to CICC, there's growth for its wealth business after the deal, with per-account product revenue up from RMB17 in 2016 to RMB140 in 2025, per-advisor product revenue rose from RMB60k to RMB350k, and product AUM expanded from <RMB50bn to >RMB460bn during the same period (link). Figure 12 shows that CICC has the highest wealth management products sales contribution to brokerage revenues, indicating stronger product offering and asset allocation capabilities.
- **Key takeaways**: First, CICC has rich experience in consolidating and growing the wealth business. Second, with the strong product offering, we expect CICC may cross-sell wealth management products to Cinda and Dongxing Sec clients, and increase the underlying revenue contributions.

Figure 12: CICC has the highest wealth management products sales as % of brokerage revenues, indicating stronger product offering and asset allocation capabilities

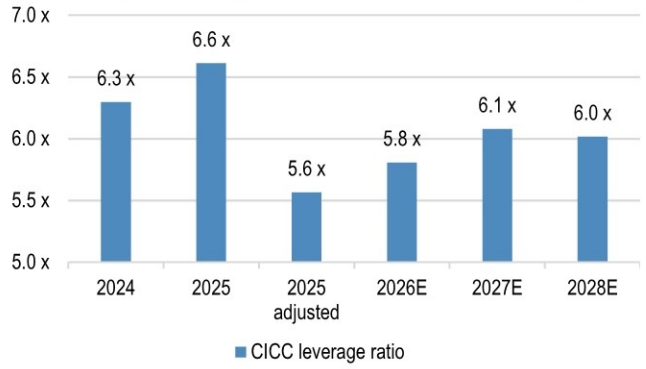


Source: CICC, GF, Citic, Galaxy, GTHT, Huatai, CMS 2020/2025 financial reports.

Assessing CICC's ROE under base- and bull-case scenarios

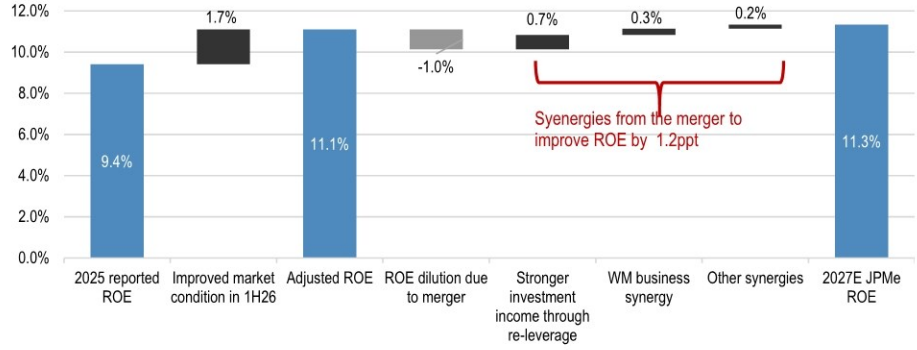
- **We expect ROE to reach 11.3% by 2027E under our base case:** In our base case, we assume ADT to be Rmb2.5trn in 2026E, which implies ADT to moderate from Rmb2.7trn in 1H26 to ~Rmb2.3trn in 2H26E. We assume CICC to expand its balance sheet and increase its leverage ratio to 6.1x by 2027E, which will improve its ROE by 0.7ppt, per our calculation. On the wealth management business, we assume the WMP sales contribution for Dongxing and Cinda Sec's brokerage revenues will increase to CICC's current level, and that the margin financing business will grow at 10ppt higher than the system level. This will help to increase CICC's ROE by another 0.3ppt. We also assume other synergies (including higher private equity business investment return through higher capital allocations) will increase CICC's ROE by another 0.2ppt. In aggregate, the above-mentioned synergies will improve CICC's ROE by 1.2ppt, and we forecast that CICC's ROE will reach 11.3% by 2027E.
- **We expect ROE to reach 13.5% by 2027E under a bull-case scenario:** In our bull case, we assume ADT to stay at Rmb2.7trn from 2H26E onwards, and market sentiment to remain elevated. We assume CICC will expand its balance sheet and increase its leverage ratio to 6.6x by 2027E, this will improve its ROE by 1.5ppt per our calculation. On the wealth management business, in addition to the assumptions under our base case, we assume Cinda and Dongxing's brokerage revenues to be 10ppt higher than base, and CICC's margin financing business to be 10ppt higher than base. These will help to increase CICC's ROE by another 0.5ppt. We also assume other synergies will increase CICC's ROE by another 0.4ppt. In aggregate, the above-mentioned synergies should improve CICC's ROE by 2.4ppt, and we forecast that CICC's ROE will reach 13.5% by 2027.

Figure 13: We assume CICC's leverage ratio to recover to 6.1x by 2027E



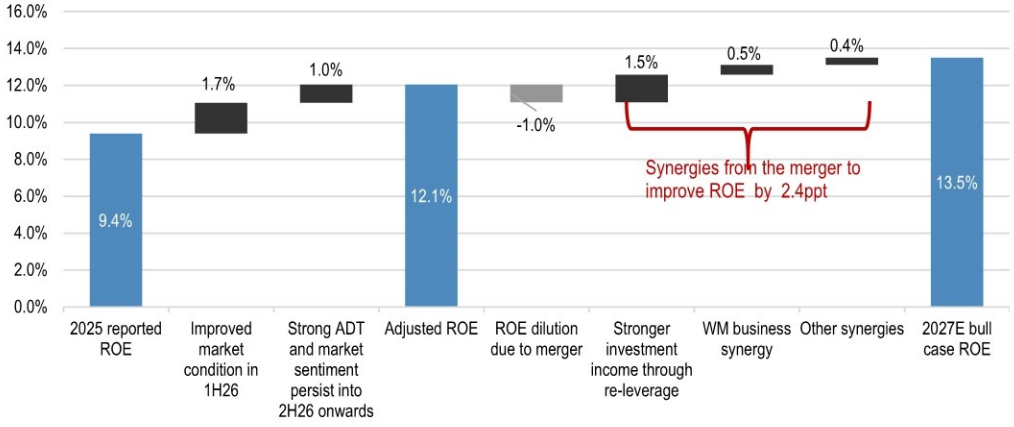
Source: CICC 2024-2025 financial reports, J.P. Morgan estimates.

Figure 14: We expect CICC's ROE to reach 11.3% in our base case, as the ROE dilution from the merger is more than offset by the synergies generated from the merger and the improved market condition



Source: CICC 2025 financial reports, J.P. Morgan estimates.

Figure 15: Under a bull-case scenario where the strong ADT and market sentiment persists into 2H26, we estimate CICC's ROE could reach 13.5% by 2027



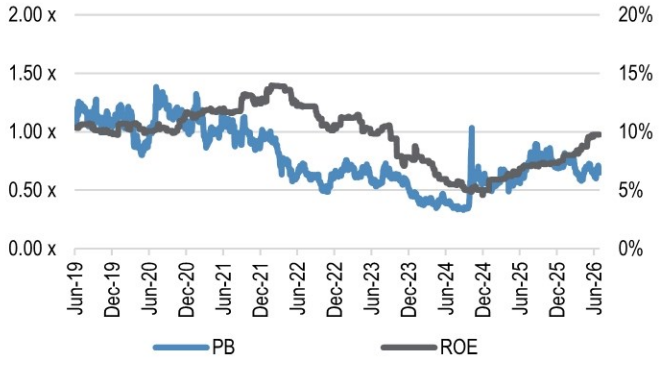
Source: CICC 2025 financial reports, J.P. Morgan estimates.

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We expect ongoing ROE recovery to support valuation re-rating

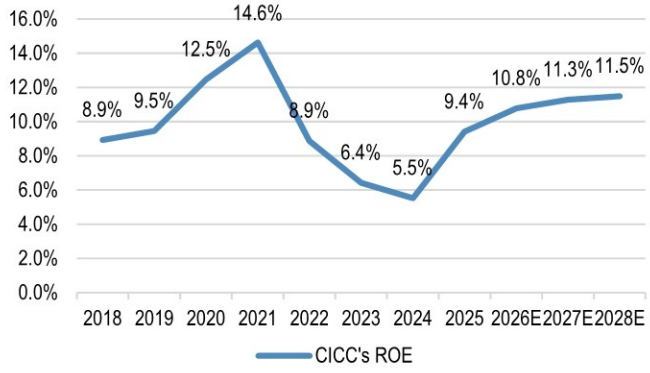
CICC-H has recently traded at 0.67x forward PB, compared to 1.0-1.3x forward PB during the 2020-21 bull market. Figure 16 shows that its valuation multiple has been driven largely by ROE movements. We forecast CICC's ROE to reach 11.3% by 2027, supported by strong institutional and overseas business growth, and the synergies generated from the merger mentioned above. We expect this to support CICC's multiple re-rating to 1.0x forward PB. On back of this, we raise our PT to HK$28.50, indicating 39% upside from current levels.

Figure 16: CICC-H has traded at 0.67x PB recently, compared to 1.0-1.3x PB during the 2020-21 bull market



Source: Bloomberg Finance L.P. Data as of June 29, 2026.

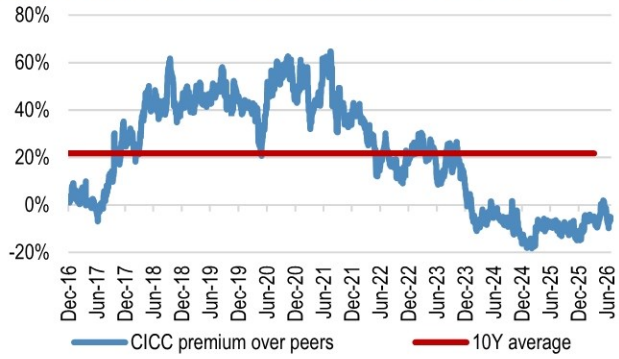
Figure 17: We expect CICC's ROE to reach 11.3% by 2027E, and expect this to support ROE recovery



Source: CICC 2018-2025 financial reports, J.P. Morgan estimates.

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Figure 18: CICC's valuation premium vs H-share listed brokers



Source: Bloomberg Finance L.P. Data as of June 29, 2026.

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Investment Thesis, Valuation and Risks

China International Capital Corporation Ltd *(Overweight; Price Target: HK$28.50)*

Investment Thesis

We are positive on CICC for the following reasons: (1) CICC is uniquely positioned to benefit from the technology-sector growth cycle; (2) we view CICC as a key beneficiary of institutional business recovery; (3) the acquisition of two small brokers should be complementary to CICC's existing business, and support profits and EPS growth.

Valuation

Our Dec-26 PT of HK$28.50 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 Rmb24.8 for Jun-27 and use spot CNY/HKD to convert to HKD. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.15x and a long-term growth rate of 4.5%.

Valuation Summary

DDM Valuation	
Risk-free rate	1.8%
Equity premium	8.0%
Beta	1.15x
Cost of capital	11.0%
Long-term growth	4.5%
Fair terminal P/BV multiple	1.11x
BVPS - 2026E (Rmb)	20.5
DPS - 2026E (Rmb)	0.3
Valuation date	29-Jun-26
Terminal date	31-Dec-28
PV of terminal value (Rmb per share)	21.2
PV of dividends (Rmb per share)	1.1
Current fair value (Rmb)	22.3
Jun-27 fair value (Rmb)	**24.8**
Jun-27 price target (HKD)	**28.5**
**CNYHKD Currency*	*1.15*

Source: J.P. Morgan estimates.

Risks to Rating and Price Target

Downside risks to our rating and price target include: (1) a material market correction that triggers government intervention, such as contributions to stabilization funds and the suspension of IPO reviews; and (2) stronger growth in capital-intensive businesses, which might lead to potential equity fundraising and result in dilution risks.

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China International Capital Corporation (3908): Summary of Financials

Income Statement	FY24A	FY25A	FY26E	FY27E	FY28E
Net Revenue	**23,069**	**31,081**	**43,482**	**55,128**	**60,434**
o/w Commission and fee income	-	-	-	-	-
o/w Net trading income	10,121	14,201	18,436	23,884	26,741
o/w Net interest income	(1,390)	(1,038)	847	1,826	2,344
SG&A	(9,517)	(11,787)	(15,724)	(19,604)	(21,272)
o/w Compensation expense	(9,437)	(11,657)	(15,549)	(19,383)	(21,029)
o/w Non-compensation expense	(80)	(130)	(175)	(221)	(242)
Adj. Operating income	**6,817**	**11,637**	**17,714**	**23,862**	**26,711**
Adj. PBT	**6,805**	**11,713**	**17,797**	**23,954**	**26,812**
Tax	(1,131)	(1,912)	(2,906)	(3,911)	(4,378)
Minority Interest	20	(10)	(10)	(10)	(10)
Adj. Net Income	**4,998**	**9,054**	**14,145**	**19,296**	**21,687**
Reported EPS	1.04	1.88	2.53	2.44	2.74
Adj. EPS	**1.04**	**1.88**	**2.53**	**2.44**	**2.74**
DPS	**0.18**	**0.32**	**0.30**	**0.42**	**0.47**
Payout ratio	17.4%	17.1%	12.1%	17.1%	17.1%
Shares outstanding	4,827	4,827	5,601	7,923	7,923

Balance Sheet	FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	156,975	182,838	257,609	316,091	330,670
Accounts receivable	40,308	44,056	52,867	55,511	58,286
Other current assets	43,234	46,744	56,093	59,026	62,118
Current assets	**592,420**	**669,794**	**954,521**	**1,142,634**	**1,237,202**
PP&E	-	-	-	-	-
Other non current assets	79,528	110,392	171,162	188,166	207,650
Total assets	**674,716**	**782,826**	**1,128,526**	**1,333,704**	**1,447,821**
Short term borrowings	159,467	189,439	284,158	344,449	384,043
Payables	100,668	130,105	209,664	276,121	292,688
Other short term liabilities	288,027	395,587	548,610	655,636	701,544
Current liabilities	**447,494**	**585,026**	**832,768**	**1,000,085**	**1,085,587**
Long-term debt	106,609	69,060	103,590	124,308	134,253
Other long term liabilities	4,991	4,351	5,221	5,482	5,757
Total liabilities	**559,094**	**658,438**	**941,580**	**1,129,876**	**1,225,597**
Shareholders' equity	92,448	99,958	162,515	179,398	197,793
Minority interests	274	2,331	2,331	2,331	2,331
Total liabilities & equity	**674,716**	**782,826**	**1,128,526**	**1,333,704**	**1,447,821**
BVPS	**19.15**	**20.71**	**20.51**	**22.64**	**24.96**
y/y growth	*4.8%*	*8.1%*	*(0.9%)*	*10.4%*	*10.3%*
Net debt/(cash)	109,101	75,661	130,139	152,667	187,626

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue y/y growth	(6.6%)	34.7%	39.9%	26.8%	9.6%
Adj. Net Income y/y growth	(9.1%)	81.2%	56.2%	36.4%	12.4%
EPS y/y growth	(9.1%)	81.2%	34.6%	(3.6%)	12.4%
DPS y/y growth	0.0%	77.8%	(4.8%)	36.4%	12.4%
Fee income / Avg assets	-	-	-	-	-
Interest income / Avg assets	1.3%	1.2%	1.3%	1.3%	1.3%
Net trading income / Avg assets	1.6%	1.9%	1.9%	1.9%	1.9%

Ratio Analysis	FY24A	FY25A	FY26E	FY27E	FY28E
Net profit margin	-	-	-	-	-
ROE	5.5%	9.4%	10.8%	11.3%	11.5%
ROA	0.8%	1.2%	1.5%	1.6%	1.6%
ROCE	-	-	-	-	-
Net debt/equity	1.2	0.7	0.8	0.8	0.9
Tax rate	16.6%	16.3%	16.3%	16.3%	16.3%
P/E (x)	17.2	9.5	7.1	7.3	6.5
P/BV (x)	0.9	0.9	0.9	0.8	0.7
Dividend yield	1.0%	1.8%	1.7%	2.3%	2.6%

Source: Company reports and J.P. Morgan estimates.
Note: Rmb in millions (except per-share data).Fiscal year ends Dec. o/w - out of which

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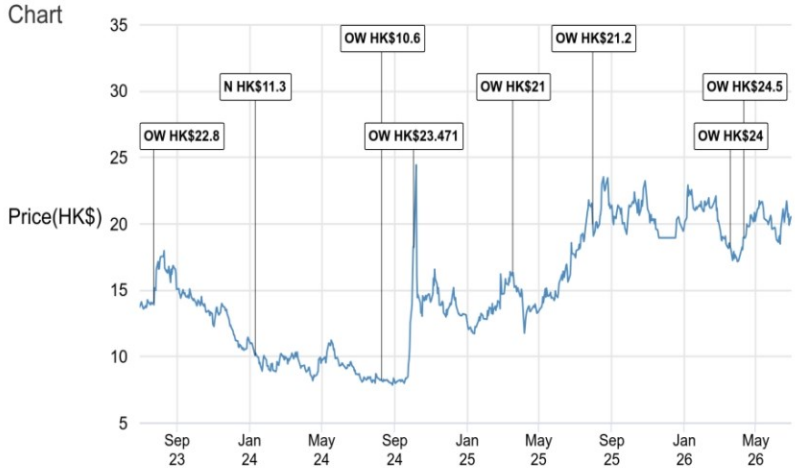
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China International Capital Corporation (3908) (3908.HK, 3908 HK) Price Chart



Date	Rating	Price (HK$)	Price Target (HK$)
24-Jul-23	OW	14.06	22.8
11-Jan-24	N	10.10	11.3
11-Aug-24	OW	8.25	10.6
03-Oct-24	OW	18.24	23.471
19-Mar-25	OW	16.30	21
01-Aug-25	OW	19.96	21.2
20-Mar-26	OW	18.22	24
12-Apr-26	OW	18.97	24.5

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
Initiated coverage Mar 20, 2018. All share prices are as of market close on the previous business day.

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