# GF Securities Co Ltd - H

## First Take: 3Q26 Mixed; Resilient Brokerage Offsets Weak Investment Income

**Overweight**

**1776.HK, 1776 HK**
Price: HK$15.29
**29 Oct 2026**
**Price Target: HK$24.20**
**PT End Date: 30 Jun 2027**

**Banks & Financial Services**

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**Our First Take: 3Q26 mixed.** Net profit declined 2% y/y, 7ppt below JPMe. Revenue was softer than expected, mainly due to weaker investment income, despite resilient brokerage revenue. The relatively stable bottom line was mainly supported by effective cost control and a lower-than-expected tax rate. We view the quality of GF's 3Q26 results as better than CITIC Sec and Galaxy Sec. We expect the shares to trade sideways following the results.

### Key Positives

- **Resilient brokerage revenue trends:** Brokerage revenue declined 10% q/q or flat y/y in 3Q. The sequential decline was more resilient than system trend, as system-wide aggregate turnover fell 14% q/q. The q/q brokerage revenue trend was better than Galaxy (-15% q/q) and CMS (-14% q/q), but weaker than East Money (-8%) and CITIC Sec (-1%).
- **Investment banking fees remained resilient:** Investment banking fee income grew by 44% y/y (or -14% q/q), exceeding JPMe by 15ppt.

### Key Negatives/Question Marks

- **Interest income was weaker than expected:** Interest income dropped by 23% q/q or 35% y/y, 20ppt below JPMe. Margin financing balance dropped by 15% q/q, largely in line with the system margin financing trend (-14% q/q).
- **Investment income was weaker than expected:** Investment income dropped by 61% q/q or 21% y/y to Rmb3.3bn in 3Q, 37ppt below JPMe.

### Likely Changes to Consensus

- We expect a low single-digit downward revision to consensus 2026 EPS.

### Expected stock reaction

- We expect the share price to trade sideways following the results.

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Table 1: Summary of 3Q26 financials

| *RMB mn* | 3Q25 | 4Q25 | 1Q26 | 2Q26 | 3Q26 | QoQ | YoY | 3Q26 JPMe | A vs E |
|---|---|---|---|---|---|---|---|---|---|
| **P&L item** | | | | | | | | | |
| Net commission and fees income | 5,438 | 5,233 | 6,004 | 6,382 | 6,023 | -6% | 11% | 5,798 | 4% |
| Net brokerage income | 3,058 | 2,618 | 3,140 | 3,415 | 3,067 | -10% | 0% | 2,903 | 6% |
| Net investment banking income | 195 | 369 | 165 | 328 | 282 | -14% | 44% | 246 | 15% |
| Net asset mgmt fee | 1,992 | 2,043 | 2,461 | 2,379 | 2,425 | 2% | 22% | 2,403 | 1% |
| Other | 193 | 204 | 238 | 260 | 248 | -4% | 29% | 247 | 1% |
| Net interest income | 631 | 534 | 446 | 533 | 408 | -23% | -35% | 512 | -20% |
| Investment gains | 4,198 | 3,620 | 5,607 | 8,523 | 3,324 | -61% | -21% | 5,284 | -37% |
| Other income | 499 | (58) | (375) | (237) | 418 | 276% | -16% | (150) | -378% |
| **Total revenue and other income** | **10,766** | **9,328** | **11,682** | **15,201** | **10,173** | **-33%** | **-6%** | **11,444** | **-11%** |
| Operating expenses | (4,919) | (4,727) | (5,449) | (5,438) | (5,224) | 4% | -6% | (5,150) | 1% |
| Impairment loss | 41 | (33) | 10 | (22) | 42 | 293% | 0% | (50) | NA |
| **Profit before tax** | **5,876** | **3,778** | **6,239** | **9,482** | **4,973** | **-48%** | **-15%** | **6,244** | **-20%** |
| Income Tax | (1,004) | (703) | (1,127) | (1,825) | (591) | 68% | 41% | (1,124) | -47% |
| Net profits | 4,872 | 3,075 | 5,112 | 7,657 | 4,382 | -43% | -10% | 5,120 | -14% |
| Minority interest | (408) | (307) | (405) | (712) | (7) | 99% | 98% | (400) | -98% |
| **Attributable profits** | **4,465** | **2,767** | **4,707** | **6,944** | **4,376** | **-37%** | **-2%** | **4,720** | **-7%** |
| **Key balance sheet items** | | | | | | | | | |
| Client deposits and clearing funds | 209,970 | 209,380 | 260,915 | 296,070 | 250,959 | -15% | 20% | | |
| Margin loans | 136,548 | 144,024 | 153,405 | 177,951 | 151,585 | -15% | 11% | | |
| **Total assets** | **953,436** | **975,484** | **1,122,227** | **1,192,962** | **1,131,032** | **-5%** | **19%** | | |
| **Total liabilities** | **793,892** | **813,026** | **943,994** | **1,009,178** | **945,290** | **-6%** | **19%** | | |
| **Equity attributable to shareholders** | **153,504** | **156,111** | **171,485** | **176,788** | **178,741** | **1%** | **16%** | | |
| **Key Ratios** | | | | | | | | | |
| ROAA | 2.0% | 1.1% | 1.8% | 2.4% | 1.5% | -89 bps | -51 bps | | |
| ROAE | 11.7% | 7.2% | 11.5% | 16.0% | 9.8% | -611 bps | -189 bps | | |
| Avg assets/ avg equity (x) | 5.8 x | 6.2 x | 6.4 x | 6.6 x | 6.5 x | -0.1 x | 0.7 x | | |
| Avg assets (excl. client$)/avg equity | 4.5 x | 4.9 x | 5.0 x | 5.0 x | 5.0 x | -0.1 x | 0.5 x | | |

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

## Investment Thesis

We have an OW rating on Guangfa-H with a Jun-27 PT of HK$24.20. Guangfa has the largest exposure to mutual funds and should benefit more than peers from the steady AUM growth of the past two years. Guangfa completed a capital raising in Jan 2026, and has said it will use the proceeds for overseas investment, which we expect to support its ROE as Guangfa HK has higher ROE than the group Guangfa level ROE. We view its valuation as attractive compared to its peers.

## Valuation

Our Jun-27 PT of HK$24.20 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 our fair value of Rmb21.0 for Jun-27 from the current fair value of Rmb19.2 and use spot CNY/HKD to convert to HKD for our H-share PT. Key assumptions include: a risk-free rate of 1.8%, an equity risk premium of 8.0%, a beta of 1.3x and a long-term growth rate of 4.5%.

### Valuation Summary

| DDM Valuation | |
|---|---|
| Risk-free rate | 1.8% |
| Equity premium | 8.0% |
| Beta | 1.30x |
| Cost of capital | 12.2% |
| Long-term growth | 4.5% |
| Fair terminal P/BV multiple | 0.80x |
| BVPS - 2026E (Rmb) | 24.0 |
| DPS - 2026E (Rmb) | 0.7 |
| Terminal date | 31-Dec-28 |
| PV of terminal value (Rmb per share) | 17.2 |
| PV of dividends (Rmb per share) | 2.0 |
| Current fair value (Rmb) | 19.2 |
| **Jun-27 fair value (Rmb)** | **21.0** |
| **Jun-27 price target (HKD)** | **24.2** |
| **CNYHKD Currency* | *1.15* |

Source: J.P. Morgan estimates.

## Risks to Rating and Price Target

Downside risks include: (1) a material market correction that triggers government intervention, such as contributions to stabilization funds and the suspension of IPO reviews; (2) higher earnings volatility; and (3) long-term pressure on brokerage commission rates due to the development of online/mobile platforms and fragmented market conditions.

Upside risks include: (1) higher-than-expected brokerage commissions; (2) higher-than-expected income from new business; and (3) higher-than-expected ADT.

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GF Securities Co Ltd - H (1776.HK, 1776 HK) Price Chart




| Date | Rating | Price (HK$) | Price Target (HK$) |
|---|---|---|---|
| 11-Jan-24 | N | 8.33 | 8.1 |
| 11-Aug-24 | N | 6.54 | 6.6 |
| 03-Oct-24 | N | 14.40 | 16.746 |
| 19-Mar-25 | N | 11.16 | 11.5 |
| 20-Mar-26 | OW | 15.55 | 19.8 |
| 23-Apr-26 | OW | 17.15 | 20.3 |
| 18-Aug-26 | OW | 17.32 | 24.2 |

Source: Bloomberg Finance L.P. and J.P. Morgan; price data adjusted for stock splits and dividends.
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