Futu Holdings (FUTU US)

2Q26: Strong Results Beat Despite Regulatory Headwind

Highlights

- Despite regulatory headwinds, Futu still delivered strong results with a 42% yoy earnings growth, supported by strong trading volume (+79% yoy).
- Maintain BUY with an unchanged target price of US$137.00.

2Q26 Results

Year to 31 Dec (HK$m)	2Q26	1Q26	2Q25	qoq%	yoy%
Total revenue	7,200	5,856	5,311	23.0	35.6
Brokerage commission income	3,361	2,641	2,579	27.2	30.3
Interest income	3,124	2,650	2,288	17.9	36.5
Other income	716	564	444	26.8	61.2
Operating expenses	1,751	1,577	1,296	11.1	35.1
Operating income	4,464	3,530	3,344	26.4	33.5
NPAT to shareholder	3,647	851	2,574	328.8	41.7
Total client assets (HK$b)	1,400.0	1,220.0	973.9	14.8	43.8
New paying client ('000)	252	225	204	12.0	23.5
Trading volume (HK$b)	6,420	4,150	3,590	54.7	78.8
CAC (HK$)	2,604	2,475	2,104	5.2	23.8

Source: Futu, UOB Kay Hian

Analysis

- **Results beat amid regulatory crackdown.** Futu Holdings' (Futu) 1Q26 earnings rose 42% yoy to HK$3.6b, 11%/16% above our and the Street's estimates, mainly driven by strong commission income (+30% yoy) and a sequential recovery in interest income (+18% qoq/+37% yoy).
- **Reaching 60% of full-year new paying client target.** Futu added 252,000 of net new funded accounts in 2Q26, led by Malaysia, Hong Kong and Singapore. Overseas markets now account for 60% of total funded accounts and the average revenue per new paying client in overseas markets also rose sequentially. Futu maintains its 800,000 new paying client target in 2026 and expects client acquisition to moderate in 3Q26, considering: a) the Japan regulator has suspended new account openings for three months due to compliance failures, and b) the recent market pullback.

Key Financials

Year to 31 Dec (HK$m)	2024	2025	2026F	2027F	2028F
Brokerage commission income	6,045	10,573	11,140	10,567	12,994
Interest income	6,667	10,442	11,635	13,145	15,514
Total revenue	13,590	22,847	24,902	26,237	31,548
Net profit (rep/act.)	5,443	11,338	10,721	13,410	16,602
Net profit (adj.)	5,443	11,338	10,721	13,410	16,602
EPS (HK$ cent)	485.8	1004.2	949.6	1187.8	1470.5
PE (x)	22.3	10.9	11.5	9.2	7.4
P/BV (x)	4.4	3.0	2.5	2.0	1.7
Dividend yield (%)	1.8	2.3	1.7	2.2	2.7
Cost/income (%)	51.3	38.4	37.1	35.6	33.8
Reported ROE (%)	20.7	33.2	23.9	24.4	24.7
Assets/equity (x)	4.9	5.7	5.3	4.7	4.4
Consensus net profit	-	-	10,090	12,824	14,480
UOBKH/Consensus (x)	-	-	1.06	1.05	1.15

Source: Futu, Bloomberg, UOB Kay Hian

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BUY (Maintained)

Share Price	US$112.73
Target Price	US$137.00
Upside	21.5%

Stock Data

Sector	Financials
Bloomberg ticker	FUTU US
Shares issued (m)	139.23
Market cap (US$m)	15,804.1
3-mth avg daily t'over (US$m)	241.5

Price Performance (%)

52-week high/low: HK$202.53/HK$80.50

1mth	3mth	6mth	1yr	YTD
8.7	(9.0)	(26.1)	(36.9)	(31.4)

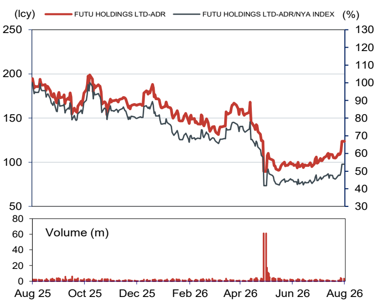
Major Shareholders (%)

Leaf Hua, Li	36.0
Tencent	20.2

Balance Sheet Metrics

FY25 NAV/Share (US$)	45.4

Price Chart



Source: Bloomberg

Company Description

Futu Holdings provides a full range of investment services, including trade execution and clearing, margin financing and securities lending, and wealth management, through its proprietary digital platforms Futubull and moomoo. The company also provides corporate services, including IPO distribution, investor relations and ESOP solution services.

- **Pick-up in client AUM growth amid MTM gains.** Total client assets surged 44% yoy/15% qoq to HK$1.4t, driven by higher mark-to-market (MTM) gains and modest asset inflows. Management noted that cumulative asset outflows since the onshore regulatory tightening in May amounted to a mid-single-digit percentage of total client assets, from both the Mainland China and Hong Kong client bases. Futu said most of the mainland client outflows picked up in June, after it implemented buying and deposit restrictions on the app for mainland IP addresses. However, Futu highlighted that the retention rate for overseas markets remained stable qoq, and the overall client attrition rate started to normalise in August.
- **Record-high trading volume boosted brokerage income.** Trading volume reached a record HK$6.42t, up 79% yoy, underpinned by: a) a meaningful acceleration in US stock trading activity (+67% qoq) to HK$5.01t, and b) a 16% qoq increase in Hong Kong equity turnover to HK$1.17t. The blended commission rate dropped 1.1bp qoq to 5.23bp, due to stronger trading activity in higher-priced US stocks and options. With rising trading velocity, brokerage income rose 30% yoy to HK$3.4b, but management noted that 3Q26 trading volume declined modestly due to cooling retail sentiment amid a pullback in AI-related names in 3Q26.
- **NII recovery.** Net interest income (NII) jumped 17% yoy to HK$2.6t, driven by solid growth in both client idle cash (+18% qoq) and margin financing balance (+31% qoq) amid an active Hong Kong IPO market and upbeat market sentiment that drives higher leverage utilisation.
- **CAC rose sequentially.** Opex jumped 35% yoy, as Futu increased its marketing expenses by 53% yoy for brand investments and client engagement efforts. Client acquisition cost (CAC) also expanded 5% qoq to HK$2,600, which is still within management’s guidance HK$2,500-3,000. Management noted that the CAC will trended higher in July due to new market expansion.
- **Add Thailand into its Southeast Asia operation.** In July, Futu obtained a Type A licence from the Thailand Securities and Exchange Commission and Moomoo Thailand is currently undergoing the regulator's inspection to receive final approval; however, management does not have a clear timeline for the business launch. Management views the Thailand market as attractive, citing 4.5m retail investors who trade online, and believes Futu can leverage its infrastructure and brand equity from Singapore and Malaysia to gain market share.

Valuation/Recommendation

- **Maintain BUY with an unchanged target price of US$137.00.** Our valuation is pegged to 12x 2026F adjusted earnings (-0.5SD).

Earnings Revision/Risk

- No changes.

Profit & Loss

Year to 31 Dec (HK$m)	2025	2065F	2076F	2028F
Brokerage commission income	10,573	11,140	10,567	12,994
Interest income	10,442	11,635	13,145	15,514
Other income	1,833	2,127	2,526	3,040
Total revenue	22,847	24,902	26,237	31,548
Commission expenses	(1,185)	(1,172)	(1,044)	(1,169)
Interest expenses	(1,758)	(1,654)	(1,621)	(1,761)
Gross profit	19,905	22,075	23,572	28,618
Operating expenses	(5,824)	(6,402)	(6,671)	(7,727)
Other non-operating income	(367)	(2,220)	(86)	(86)
Pre-tax profit	13,713	13,453	16,815	20,805
Tax	(2,360)	(2,691)	(3,363)	(4,161)
Minorities	36	10	10	10
Net profit	11,338	10,721	13,410	16,602
Net profit (adj.)	11,338	10,721	13,410	16,602

Balance Sheet

Year to 31 Dec (HK$m)	2025	2065F	2076F	2028F
Cash and cash equivalents	10,468	11,515	12,667	13,933
Cash held on behalf of clients	113,398	123,181	136,204	159,433
Loan and advances	64,747	70,862	84,883	106,571
Receivables	27,670	27,585	29,403	31,183
Investments	508	508	508	508
Associates & JVs	7,304	7,304	7,304	7,304
Other assets	4,342	2,440	3,466	2,382
Total assets	228,437	243,396	274,435	321,314
Payables to clients	125,250	129,665	143,373	171,433
Payables to brokers	38,678	41,773	45,114	47,370
ST borrowings	12,143	9,632	11,538	13,372
Other liabilities	12,044	13,033	13,980	15,010
Total liabilities	188,116	194,102	214,006	247,185
Shareholders' funds	40,001	48,974	60,109	73,809
Minority interest - accumulated	320	320	320	320
Total equity & liabilities	228,437	243,396	274,435	321,314

Operating Ratio

Year to 31 Dec (%)	2025	2065F	2076F	2028F
Revenue Mix				
Brokerage commission income	46.3	44.7	40.3	41.2
Interest income	45.7	46.7	50.1	49.2
Fund distribution income	3.9	4.3	5.4	6.0
Others	4.2	4.2	4.2	3.7
Dupont Analysis				
Net brokerage income	41.1	40.0	36.3	37.5
NII	38.0	40.1	43.9	43.6
Other income	8.0	8.5	9.6	9.6
Gross profit	87.1	88.7	89.8	90.7
Operating expense	25.5	25.7	25.4	24.5
Operating profit	61.6	62.9	64.4	66.2
ROA (%)	5.9	4.5	5.2	5.6
Leverage (x)	5.7	5.3	4.7	4.4
ROE (%)	33.2	23.9	24.4	24.7
Liquidity				
Assets/equity	5.7	5.3	4.7	4.4
Assets/equity(ex-client funds)	2.9	2.4	2.3	2.2

Key Metric

Year to 31 Dec (%)	2025	2065F	2076F	2028F
Growth				
Commission & fee income, yoy chg	74.9	5.4	-5.1	23.0
Total revenue, yoy chg	68.1	9.0	5.4	20.2
Operating expense, yoy chg	28.8	9.9	4.2	15.8
Net profit, yoy chg	108.3	-5.4	25.1	23.8
Net profit (adj.), yoy chg	108.3	-5.4	25.1	23.8
Total assets, yoy chg	43.9	6.5	12.8	17.1
Profitability				
Net profit margin	49.6	43.1	51.1	52.6
Cost/income ratio	38.4	37.1	35.6	33.8
Adjusted ROA	5.9	4.5	5.2	5.6
Adjusted ROE	33.2	23.9	24.4	24.7
Valuation				
P/BV (x)	3.0	2.5	2.0	1.7
Adjusted P/E (x)	10.9	11.5	9.2	7.4
Dividend Yield	1.8	2.3	1.7	2.2
Payout ratio	25.1	20.0	20.0	20.0