

BLOG

20 Aug 2024

Hong Kong: Share Buyback still a Focus; More Followed Suit

YTD 2024 (as of 16 Aug), the share buyback value in Hong Kong stock market surpassed last year's total by 29.8%, reaching a new record high of HKD 164.8bn. The share buyback intention has been a focal point in recent years amid the challenging market. In 2024, the buyback newcomers* accounted for HKD 33.6bn share buyback YTD, substantially representing 20.4% of the YTD buyback total. Among the flagship indexes, the HSI covers highest 88% of the buyback value in Hong Kong market YTD, whereas the HSTECH has the highest % index weightings (37%) covering the proactive buyback corporates YTD.

Newcomers'* Buyback Value Increased in YTD2024 (20.4% of total YTD)

In early 2024, we observed the continuation of buyback momentum (see our [Blog on 27 Feb 2024](#), "Hong Kong: Share Buyback Continues amid Low Market Valuation"), mainly due to undervaluation (intrinsic value < market price) triggering the corporate buyback, in hope to support the share price.

YTD 2024 (as of 16 Aug), the Hong Kong share buyback value surpassed last year's total value by 29.8%, reaching another new record high of HKD 164.8bn (Exhibit 1). The monthly Main Board aggregate buyback value peaked in June 2024 at HKD38.1bn (vs monthly average of HKD22.4bn in 7M2024). YTD2024, 205 listed corporates on the Hong Kong Main Board have performed share buyback. Plenty of listed corporates are proactive with YTD buyback value exceeding their full year buyback records in 2023, contributing to the new high of buyback. Among which, 76 listed corporates are actually newcomers* with aggregate buyback of HKD33.6bn, substantially representing 20.4% of the YTD total (newcomers' buyback value in 2023: 7% of total)

[Remarks(*)]: newcomer is defined as buyback in current year, but not in previous year].

Interestingly, from our simplified analysis upon the broad market the Hang Seng Composite Index ('HSCI'), despite the individual buyback corporates have generated a mixed outcome of "return" YTD (Exh 3), the aggregate corporate buyback actions could generate a positive "profit" of HKD3,168m, "return" of +1.9% YTD (Exh 4), and might have "buy on dip" implication with sufficient stock diversification.

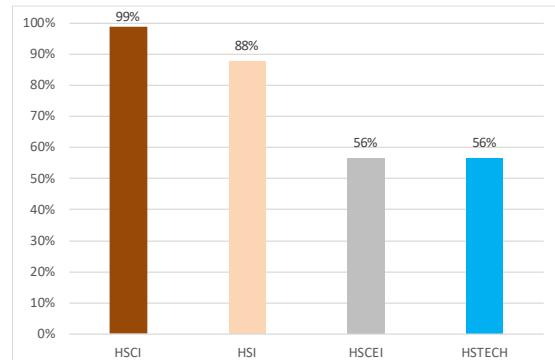
For exposure to the share buyback trends, among our flagship indexes, the HSI covers highest 88% (ie. HKD144.3bn) of the YTD2024 buyback value (Exh 2) in Hong Kong, whereas the HSTECH has the highest % index weightings (37%) covering the "proactive" buyback corporates YTD (Exh 12).

Exhibit 1: Hong Kong Main Board Annual Buyback Values and YoY Growths



Source: HSIL, WIND; data as of 16 Aug 2024

Exhibit 2: Flagship Indexes' Coverage of Buyback Value (as % of total) in YTD 2024



Source: HSIL, WIND; data as of 16 Aug 2024

Hong Kong Broad Market (HSCI): Overall Positive “Return” from YTD Buyback

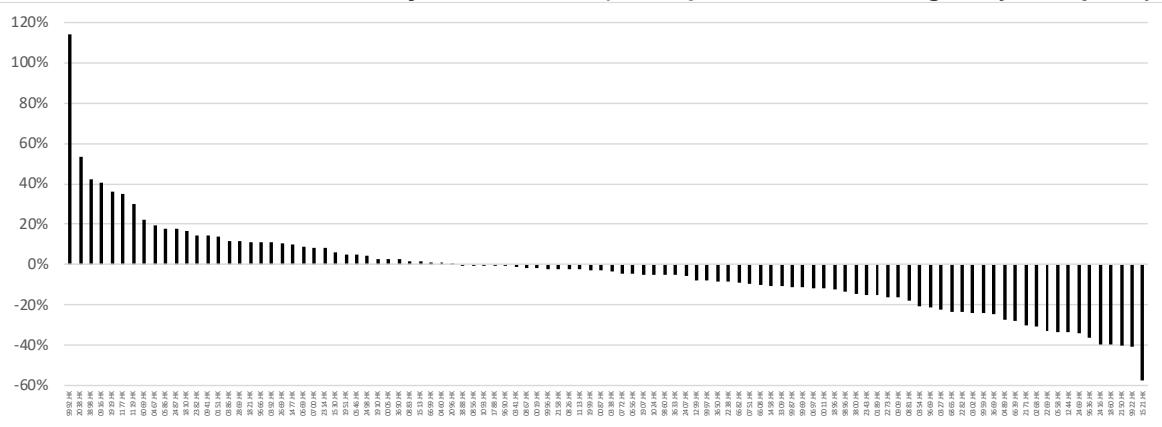
We look into the buyback actions in YTD2024 upon the Hong Kong Broad Market (HSCI 509 constituents) to see if the buyback actions have “buy on dip” implication, by estimating the aggregate “profit” and “return”. **From the simplified empirical analysis, with sufficient stock diversification, the aggregate corporate buyback actions might be able to achieve “buy on dip” effect.**

The YTD (as of 16 Aug 2024) average buyback price (= YTD buyback value / YTD buyback quantity) of each constituent is compared with the current market price. Despite the price “return” [= market price / YTD average buyback price -1] of the 102 buyback corporates under the HSCI, range from -58% to +114%, median -3% (Exhibit 3), indicates a mixed outcome of positive and negative “return”, the estimated amount of aggregate “profit” [= (market price - YTD average buyback price) x YTD buyback quantity] is a positive HKD3,168m, and a “return” of +1.9% (Exhibit 4).

The YTD buyback “profit” and “return” calculation are illustrated in Exhibit 4. For example, the stock 0700.HK repurchased 181 million quantity of shares YTD with HKD62,367m, resulting in an average buyback price of HKD344.34, compared to the current share price of HKD372.6, there are “profit” and “return” of HKD5,119m and 8.2%.

Full list of Exhibit 4 is available upon request.

Exhibit 3: Distribution of YTD buyback “return” (latest price vs YTD average buyback price)



Sources: HSIL, WIND; data as of 16 Aug 2024

Exhibit 4: Top 10 “Profit” from YTD buyback in the HSCI

Ref #	Ticker	Name	HSICS Industry	Current Price		Average buyback price 16-Aug-24	Buyback Value YTD 2024	Buyback Quantity YTD 2024	Buyback "profit" YTD 2024	Buyback "return" YTD 2024
				HKD	HKD					
1	0700.HK	TENCENT	Information Technology	372.60	344.34	62,367	181	5,119	8.2%	
2	0005.HK	HSBC HOLDINGS	Financials	66.00	64.33	26,225	408	680	2.6%	
3	1810.HK	XIAOMI - W	Information Technology	17.32	14.85	3,677	248	611	16.6%	
4	3690.HK	MEITUAN - W	Information Technology	107.70	105.02	23,326	222	595	2.6%	
5	1919.HK	COSCO SHIP HOLD	Industrials	11.02	8.10	462	57	167	36.1%	
6	9992.HK	POP MART	Consumer Discretionary	39.10	18.24	81	4	92	114.3%	
7	1821.HK	ESR	Financials	11.34	10.21	563	55	62	11.1%	
8	3898.HK	TIMES ELECTRIC	Industrials	29.85	20.98	99	5	42	42.2%	
9	0669.HK	TECHTRONIC IND	Consumer Discretionary	103.90	95.33	262	3	24	9.0%	
10	0941.HK	CHINA MOBILE	Telecommunications	74.20	65.02	155	2	22	14.1%	
...	
102	
HK Broad market, HSCI (102 buyback corporates) Total								162,956	3,168	1.9%
HK Main board (205 buyback corporates) Total								164,761	3,037	1.8%

Sources: HSIL, WIND; data as of 16 Aug 2024

Flagship Indexes: Exposure to “Proactive” Corporates Engaging in Buyback YTD

As discussed in the earlier BLOG (published on 27 Feb 2024, “Hong Kong: Share Buyback Continues amid Low Market Valuation”), the underlying motives for the corporate buyback are sector and company-specific, which may be related to their capital structure, finance cost, excess cash level, etc. In general, when the corporates believe their listed shares are currently undervalued and expect a meaningful re-rating in future, they would perform share buyback to support the share price, improve their financials, and enhance shareholders’ return.

We aggregated the index constituents’ buyback value since 2020, and compared the amount with that of in the Main Board, to estimate the coverage ratio in YTD2024 (as of 16 Aug 2024). The HSCI, representing the Hong Kong broad market, covers 99% (Exhibit 5) of the YTD share buyback value on the Hong Kong Main Board. Among the flagship indexes, the Hang Seng Index covers 88% (ie. HKD144.3bn) (Exhibit 7) of the YTD share buyback value in Hong Kong, that of the Hang Seng China Enterprises Index (‘HSCEI’) was 56% (ie. HKD93.1bn) (Exhibit 9), and that of the Hang Seng Tech Index (‘HSTECH’) was 56% (ie. HKD93.0bn) (Exhibit 11).

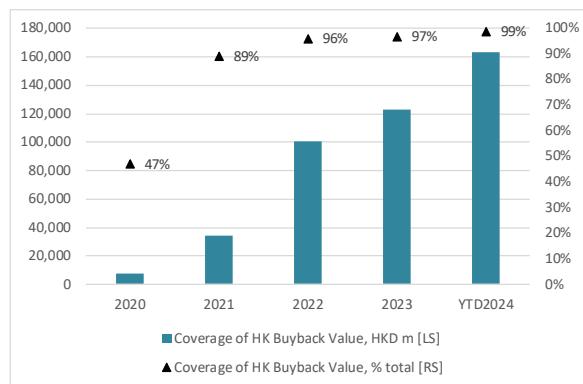
Furthermore, plenty of listed corporates have performed share buyback in YTD2024, among which, some have been more “**proactive**”, meaning their **YTD buyback value exceeding their full-year record in 2023**, contributing to the new high of buyback. In the Hong Kong broad market (ie. HSCI), 102 listed corporates have performed buybacks, among which, “proactive” buyback corporates account for 70 stocks (69% of buyback stock number), representing 35% index weightings in the HSCI (Exhibit 6). As to the flagship indexes, the HSI has 16 corporates performed buybacks, with 11 (ie. 69%) are “proactive” buyback, representing 36% index weightings (Exhibit 8); the HSCEI has 10 corporates performed buybacks, with 8 (ie. 80%) are “proactive”, representing 34% index weightings (Exhibit 10); the HSTECH has 8 corporates performed buybacks, all are “proactive”, representing 37% index weightings (Exhibit 12).

As such, the HSI (88%) has the highest exposure to the share buyback investment theme, followed by the HSCEI (56%) and HSTECH (56%), whereas HSTECH has the highest proportion of “proactive” buyback corporates (100%), followed by the HSCEI (80%) and HSI (69%).

Remarks:

(*): “*newcomers*” refer to listed corporates which performed buyback in 2024 but not in 2023; “*proactive*” buyback corporates refers to listed corporates with YTD2024 buyback value exceeding that in full-year 2023.

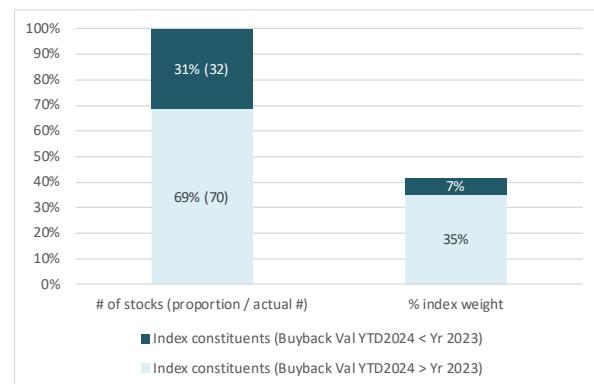
Exhibit 5: Coverage of Buyback Value and % of total - HSCI



Remarks: Using the same set of constituents (as of 16 Aug 2024) for prior years

Sources: HSIL, WIND; data as of 16 Aug 2024

Exhibit 6: Index constituents with share buyback in YTD2024 - HSCI

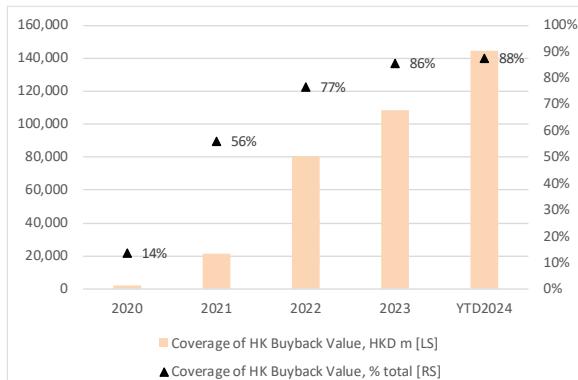


Remarks: Among the 70 “proactive” buyback corporates, 41 are newcomers

Source: HSIL, WIND; as of 16 Aug 2024



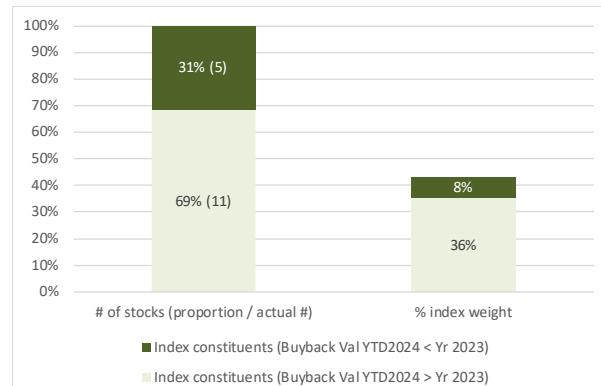
Exhibit 7: Coverage of Buyback Value and % of total - HSI



Remarks: Using the same set of constituents (as of 16 Aug 2024) for prior years

Sources: HSIL, WIND; data as of 16 Aug 2024

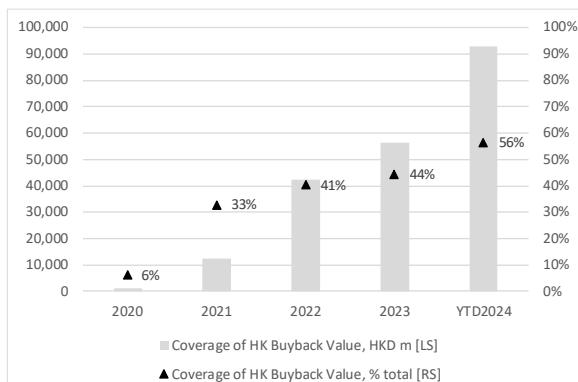
Exhibit 8: Index constituents with share buyback in YTD2024 - HSI



Remarks: Among the 11 “proactive” buyback corporates, 4 are newcomers

Source: HSIL, WIND; as of 16 Aug 2024

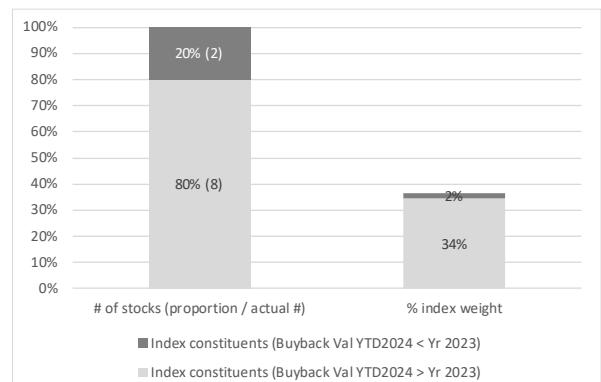
Exhibit 9: Coverage of Buyback Value and % of total - HSCEI



Remarks: Using the same set of constituents (as of 16 Aug 2024) for prior years

Sources: HSIL, WIND; data as of 16 Aug 2024

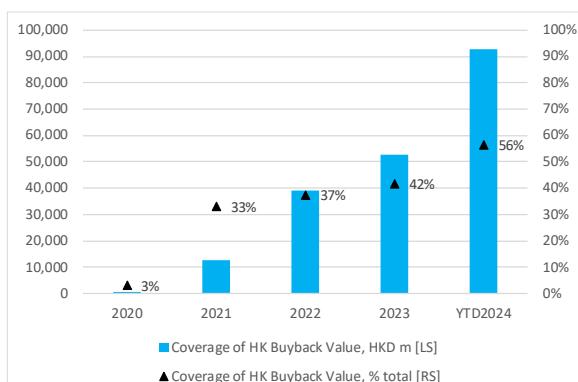
Exhibit 10: Index constituents with share buyback in YTD2024 - HSCEI



Remarks: Among the 8 “proactive” buyback corporates, 3 are newcomers

Source: HSIL, WIND; as of 16 Aug 2024

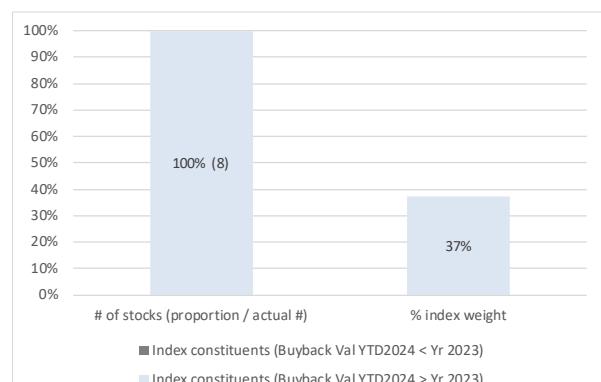
Exhibit 11: Coverage of Buyback Value and % of total - HSTECH



Remarks: Using the same set of constituents (as of 16 Aug 2024) for prior years

Sources: HSIL, WIND; data as of 16 Aug 2024

Exhibit 12: Index constituents with share buyback in YTD2024 - HSTECH



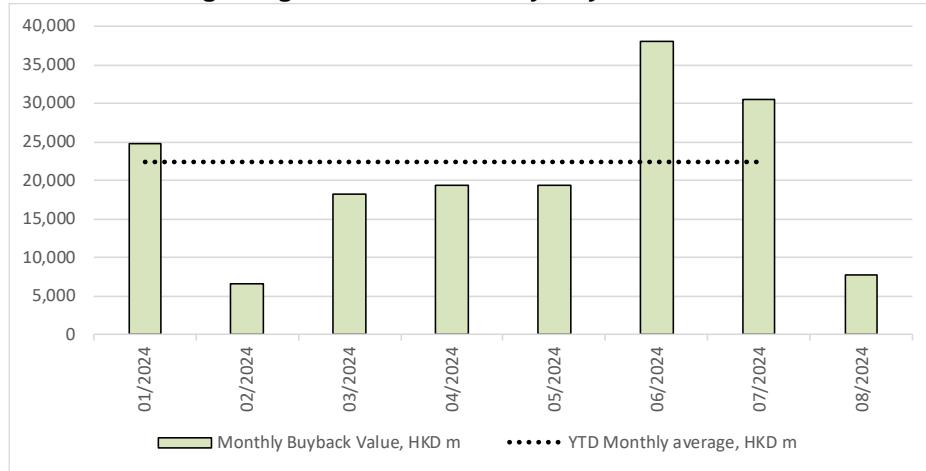
Remarks: Among the 8 “proactive” buyback corporates, 3 are newcomers

Source: HSIL, WIND; as of 16 Aug 2024



Appendix:

Exhibit 13: Hong Kong Mainboard Monthly Buyback Values



Sources: HSIL, WIND; data as of 16 Aug 2024

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