

HSBC Holdings Plc

Europe Satellite*

Recommended since

29.05.2024

06.12.2024



Country GB	Market capitalization (bn) GBP	135.2	Perf. since reco. (%)
Sector Banks	Free float	98.1%	HSBC Holdings Plc 10.2
Factset HSBA-GB	Closing price GBP	7.51	Sector 7.0
ISIN GB0005405286	ESG Risk score*	24.2	Medium risk

Profile
 HSBC Holdings is one of the world's largest banks. The group provides banking and financial services. HSBC operates through the following business segments: Global Banking and Market (GBM: 42.4% of revenue), Commercial Banking (CMB: 36.6%) and Wealth & Personal Banking (WPB: 28.9%). The Group serves around 42 million customers in 62 countries and territories. The company was founded in 1865 and is headquartered in London, although its principal market is Hong Kong.

Strengths/opportunities

- Income/risk diversification -> reduced volatility
- Wealth management captures the increase in wealth in Asia
- High solvency and balance sheet quality

Weaknesses/threats

- Continuing political/social tensions in Hong Kong
- Tensions between the USA and China, with a negative effect on the volume of trade transactions
- High sensitivity of interest income to US interest rates

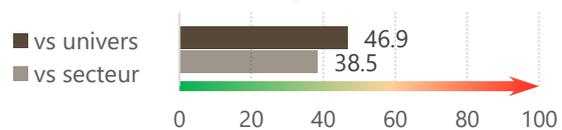
Investment case

- HSBC is a bank with a long history in Hong Kong. Not only that, but its activities, particularly in Singapore and the rest of Asia, position it ideally to benefit from a rebound in Chinese economic activity, and therefore from the intensification of trade between China and South-East Asia.
- Its US and Hong Kong (HKD) activities give it positive exposure to high US interest rates. Interest rates are expected to remain relatively stable over the medium term, before falling slightly from the end of the year. This explains why net interest income is expected to come under pressure from 2025 onwards.
- In addition, HSBC has long been a prudent lender (with an average loan-to-value of around 50%), which will be able to withstand a deterioration in the credit environment.
- In addition, HSBC is a robust group with one of the highest solvency ratios in the sector (CET1 15.2% > target 14-14.5%) and is a capital generator quarter after quarter. Management is expected to buy back \$9-10 billion of shares per year over 2024-2025, helped also by disposals of non-strategic assets (Canada in 2024 and Argentina in 2025-26).

Valuation

The stock is at a slight discount (PE and P/BV) to the sector but remains at a premium to UK banks. Return on equity and dividend yield are slightly ahead of the sector.

ESG risk vs. universe & sector (percentile)*



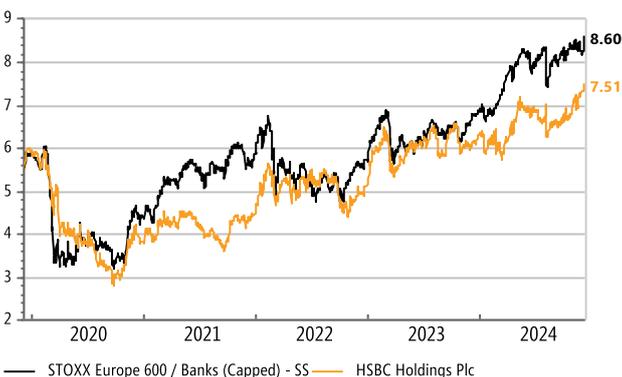
USD	12/2023	2024e	2025e
Sales revenue (mio)	66 058	66 380	65 069
Sales growth	19.4%	0.5%	-2.0%
EBIT adjusted (mio)	33 845	32 836	29 927
% of sales	51.2%	49.5%	46.0%
Net income (mio)	22 432	23 409	22 075
Net income growth	51.3%	4.4%	-5.7%
CET1	14.8%	15.0%	14.7%
ROE	12.8%	13.4%	12.2%
Dividend yield	6.4%	8.7%	6.8%
PE	6.9x	7.4x	7.7x
P/BV	0.9x	1.0x	0.9x

Factset estimates

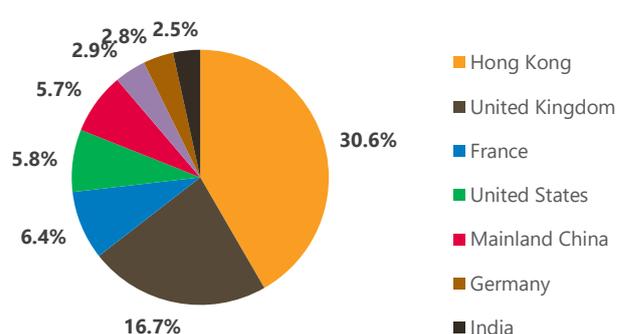
ESG - risks and key points

- HSBC is a medium risk, in line with the sector, because despite its very good governance, the group has been subject to numerous controversies, which have now stabilised.
- The Group does not particularly stand out in terms of the governance of its products, where there is not enough control.
- The group's investments meet ethical and environmental criteria in line with the sector average.

5-year performance vs sector



Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

Offices & Branches

Bordier & Cie Genève

Rue Rath 16
CH-1204 Genève
Case postale
CH-1211 Genève 3
T + 41 58 258 00 00
F + 41 58 258 00 40

Bordier & Cie Berne

Spitalgasse 40
Case postale
CH-3001 Berne
T + 41 58 258 07 00
F + 41 58 258 07 10

Bordier & Cie Nyon

Rue de la Porcelaine 13
CH-1260 Nyon
Case postale 1045
CH-1260 Nyon 1
T + 41 58 258 07 50
F + 41 58 258 07 70

Bordier & Cie Zurich

Talstrasse 83
CH-8001 Zürich
T + 41 58 258 05 00
F + 41 58 258 05 50

Bordier & Cie (France) S.A.

1, rue François 1er
75008 Paris – France
T + 33 1 55 04 78 78
F + 33 1 49 26 92 48

Bordier & Cie (Uruguay) S.A.

Costa Rica 1661, oficina 8
11500 Montevideo
Uruguay
T + 598 2604 7083

Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00
138 Market Street
Singapore 048946
T + 65 6239 9999
F + 65 6239 9998

Bordier Bank (TCI) Ltd

Leeward Highway
Caribbean Place
Providenciales
Turks and Caicos
T + 1 649 946 45 35
F + 1 649 946 45 40

This document has been issued for information purposes and is exclusively supplied by Bordier & Cie SCmA in the framework of an existing contractual relationship with the recipient of this document. The views and opinions contained in it are those of Bordier & Cie SCmA. Its contents may not be reproduced or redistributed by unauthorized persons. The user will be held liable for any unauthorized reproduction or circulation of this document, which may give rise to legal proceedings. All the information contained in it is provided for information only and should in no way be taken as investment, legal or tax advice provided to third parties. Furthermore, it is emphasized that the provisions of our legal information page are fully applicable to this document and namely provisions concerning the restrictions arising from different national laws and regulations. Consequently, Bordier Bank does namely not provide any investment services or advice to "US persons" as defined by the Securities and Exchange Commission rules. Furthermore, the information on our website – including the present document – is by no mean directed to such persons or entities.