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Hong Kong stocks repurchase amount exceeds HK$200 billion this year, and these four companies are at the top

The industry believes that in terms of short-term effects, repurchases can reduce a company's outstanding share capital.

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The repurchase amount of Hong Kong stocks continues to increase.

Tencent Holdings (00700.HK) announced on the Hong Kong Stock Exchange that it repurchased 2.64 million shares on September 17, spending about HK$1 billion. The repurchase price per share was HK$372-381.4. This is Tencent's 87th repurchase this year.

In fact, Hong Kong-listed companies, including Tencent, have been very active in share repurchases this year. Wind data shows that as of the close of September 18, the overall repurchase amount of Hong Kong stocks this year has exceeded HK$200 billion, reaching HK$203.586 billion.

序号	证券代码	证券简称	期间回购数量(万股)	↓期间回购金额(万元)
1	0700.HK	腾讯控股	23,724.00	8,340,391.52
2	0005.HK	汇丰控股	47,422.00	3,070,871.21
3	3690.HK	美团-W	25,622.18	2,744,924.37
4	1299.HK	友邦保险	42,729.26	2,394,909.70
5	1024.HK	快手-W	8,908.58	390,057.00
6	1810.HK	小米集团-W	24,924.82	370,819.59
7	0189.HK	东岳集团	52,097.78	369,870.06
8	0011.HK	恒生银行	2,957.52	299,790.34
9	0019.HK	太古股份公司A	3,483.95	227,256.21
10	2269.HK	药明生物	11,443.40	177,068.88
11	1113.HK	长实集团	4,890.60	154,556.48
12	9987.HK	百胜中国	451.45	135,030.82
13	1093.HK	石药集团	22,683.80	116,044.26
14	0354.HK	中国软件国际	20,521.60	88,745.53
15	0883.HK	中国海洋石油	3,681.00	72,675.10

In terms of repurchase amount, there are four companies that have repurchased more than HK$20 billion this year, from high to low, namely Tencent Holdings, HSBC Holdings (00005.HK), Meituan-W (03690.HK) and AIA Group (01299.HK). The repurchase amounts are HK$83.404 billion, HK$30.709 billion, HK$27.449 billion and HK$23.949 billion respectively. It is worth noting that among the top repurchase companies, Internet, financial and pharmaceutical companies are the main repurchasers.

Hang Seng Index Company recently published a blog post analyzing that it conducted a simple analysis of the Hong Kong stock market (Hang Seng Composite Index) and found that although the returns of individual listed companies that have carried out share buybacks have varied since the beginning of the year, companies that have carried out share buybacks have generated a total of positive "income" of HK$3.168

billion and a "return" of +1.9% since the beginning of the year, and may be able to achieve the effect of "buying on dips" under sufficient stock diversification conditions.

As of August 16, Hang Seng Indexes Company analyzed that in terms of exposure to share buyback trends, among the flagship indexes, the buyback amount of constituent companies in the Hang Seng Index accounted for the highest amount of Hong Kong stocks' total buybacks since the beginning of 2024, reaching 88% (or HK$144.3 billion). On the other hand, among the constituent stocks of the Hang Seng Technology Index, companies that have actively repurchased since the beginning of the year have the highest weight (37%).

Chen Gang, co-director of the research department of Ad Financial, told Jiemian News that the total amount of Hong Kong stock repurchases from 2020 to 2023 will be HK$67.933 billion, HK$121.161 billion, HK$102.133 billion and HK$124.56 billion respectively. As of September 9, the total amount of repurchases by the top four companies in the Hong Kong stock market this year (Tencent, HSBC, Meituan, and AIA) reached HK$153.924 billion, and Tencent also stated that it will repurchase no less than HK$100 billion this year. Therefore, the total amount of Hong Kong stock repurchases this year will far exceed that of last year. This phenomenon is mainly due to the stable and good performance of the companies that mainly repurchased, the low stock price valuation, and the increase in shareholder returns.

Chen Gang believes that buybacks are generally considered to be positive for companies. In terms of short-term effects, in most cases, buybacks can reduce the company's outstanding shares, which may create market expectations of supply exceeding demand, which is conducive to stock price increases. "Looking at the global market, especially the US stock market, companies are very active in buybacks. In 2023, the S&P 500 component stocks repurchased a total of US$795.2 billion. In the current environment of low valuations in the Hong Kong stock market, increasing the scale of buybacks can not only increase shareholder returns, but also help repair the company and market valuations." Chen Gang said.

Drew Bernstein, co-founder and co-chairman of Marcum Asia, told Jiemian News that stock buybacks have two functions. First, stock buybacks are a means for companies to return capital to shareholders and reward them for holding shares. Unlike dividends, stock buybacks can be adjusted up and down based on the company's cash flow and balance sheet needs.

Second, a stock buyback indicates that a company believes its stock is undervalued and buying back shares is an excellent use of existing capital. Investors like stock buybacks because it can also boost earnings per share by reducing shares outstanding. "The downside of a stock buyback, especially for a growth company, is that it can also indicate a lack of high-return investment opportunities in the company's own business. Typically, stock buybacks occur when a company enters a more moderate growth phase and begins to focus more on maximizing cash flow," he said.

Drew Bernstein pointed out that it is very common for financial companies to repurchase stocks because they are often very proficient in managing capital structure. Assuming that management is prudent, stock repurchases mean that the company has sufficient capital base to maintain the business, comply with regulatory requirements and maintain dividends. However, if the stock repurchase is accompanied by excessive debt levels, it may be a dangerous signal. In addition, he believes that for technology companies, stock repurchases can sometimes be an extraordinary means to boost investor confidence. It may also mean that the company is entering a more mature stage, in which the cash generated by the company's predictable "cash cow" business exceeds the cost of executing its strategy.

Yan Zhaojun, a strategic analyst at China Securities International, pointed out to Interface News reporters that after the Hong Kong stock earnings period, the earnings forecasts for the Hang Seng Index and the MSCI China Index from 2024 to 2026 were revised upward, mainly contributed by the weighted technology sector. Energy, healthcare and raw materials were also slightly revised upward, while other sectors did not change much.

He believes that although the recovery of domestic consumption is still weak, some leading companies in catering, gaming, food and beverage, sporting goods and other sub-sectors with valuations at historical bottoms have increased dividend distribution and repurchase scale to boost shareholder returns, which also supports stock prices. The current valuation of Hong Kong stocks is still low, and policy expectations help to repair valuations. The Hang Seng Index's forecast PE has been repaired to 8.3 times, but it is still at a historically low level.

"The risk premium of the Hang Seng Index is at the 81.8% percentile in the past seven years and is one standard deviation from the rolling two-year average. The risk premium of the MSCI China Index is closer to two standard deviations from the rolling two-year average. Based on fundamentals, earnings, funding, valuation and other factors, the Hang Seng Index is expected to operate reasonably in the range of 16,800 to 18,300 points in September," he said.