

**Vietnam Brokers**

**12 December 2019**

Historically high correlation of brokerage shares with VNI has fallen in 2019



**What's new?**

- ▶ We think 2020E will be another tough year.
- ▶ The brokerage commission race-to-the-bottom continues.
- ▶ Well-funded foreign (i.e., Korean) competition in margin finance is even more of a concern for ROA.
- ▶ Domestic brokers are better positioned for insto brokerage, I/B, and perhaps wealth management.

**Our view**

- ▶ We maintain a [broadly positive long-term outlook](#) for the brokers as capital markets proxies.
- ▶ But profitability is under pressure from intense competition.
- ▶ However, YoY earnings comps should be easier going forward.
- ▶ Stocks could stage a rally in 1Q20.
- ▶ HCM remains our top pick and only BUY in the sector.

**The competitive crunch**

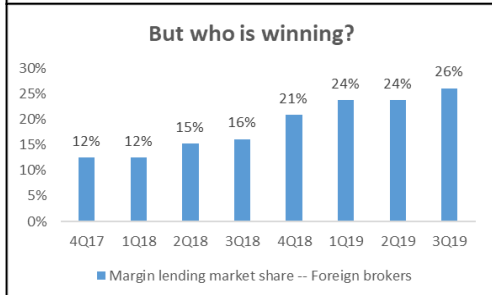
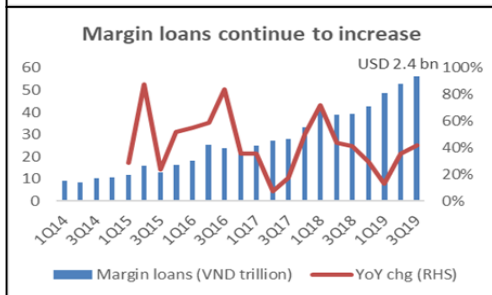
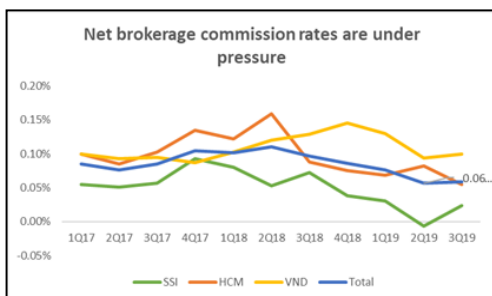
**Requiem for the commission floor.** Net brokerage commission rates recovered slightly in 3Q19 but are still close to zero and are not likely to return to historical levels. Industry fragmentation is only increasing due to well-funded and market share-hungry new foreign (i.e., Korean) entrants who appear to be willing to forego brokerage fees in favor of market share and as a loss leader for margin lending. For obvious reasons, retail investors are well aware of this trend, so the brokerage stocks' historically high correlation with market levels and ADT may decline going forward.

**Margin finance is soaring, but who is winning?** Total margin loans reached USD 2.3 bn in 3Q19 (+9% QoQ / +36% YoY). This was 23% higher than margin loans at the market peak in 1Q18. However, competition in this business is even more insidious than the brokerage commission race-to-the-bottom for domestic brokerage profitability, in our view. This is because 1) margin lending is one of the two key drivers of brokers' overall profitability (along with I/B), and 2) foreign players enjoy funding advantages that have helped to drive their substantial market share gains in margin lending.

**Short term view: A possible seasonal market rally in 1Q20** may boost the brokers' shares prices. But we are not as confident on the remainder of 2020 given that competitive pressure will probably intensify next year and our view that investment banking dealflow, where domestic brokers have a more sustainable edge, is not likely to recover meaningfully until 2021.

**Long term view: We consider the brokers as proxies on Vietnam's developing capital markets.** Given the heated competition in retail broking (and especially in margin lending), we believe that the domestic brokers should focus on business segments where their competitive moat is wider and less dependent on funding resources, such as institutional broking, investment banking, and – on a longer term view – wealth management.

**Stock ideas: HCM (BUY) remains our top pick** given its scale, relatively diversified revenue streams, and management's focus on profitability rather than market share. We upgrade SSI to HOLD-Outperform largely on valuation following its YTD underperformance. However, we downgrade our ratings on VND and VCI to HOLD-Underperform because we believe the catalysts for a rerating are either too distant (for VCI) or hard to identify (for VND) amid the intense competition and our low expectations for 2020.



Source: Bloomberg, FIINPro, Yuanta Vietnam

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# The Competitive Crunch Is On

**Fig 1: Stock recommendations**

| Yuanta Vietnam Coverage Universe |                         |            |                   |                    |                   |                     |                    |                |                      |           |
|----------------------------------|-------------------------|------------|-------------------|--------------------|-------------------|---------------------|--------------------|----------------|----------------------|-----------|
| Sector                           | Company                 | Stock code | Market cap (USDm) | 3-month ADT (USDm) | Yuanta Rating     | Current price (VND) | Target price (VND) | Up (down) side | 2019E Dividend yield | 12-m TSR* |
| Brokers                          | HCM City Securities     | HCM VN     | 308               | 1,108              | BUY               | 23,400              | 29,931             | 28%            | 2.5%                 | 36%       |
|                                  | Saigon Securities       | SSI VN     | 434               | 1,628              | Hold-Outperform   | 19,800              | 23,525             | 19%            | 3.4%                 | 24%       |
|                                  | Viet Capital Securities | VCI VN     | 239               | 105                | Hold-Underperform | 31,800              | 32,437             | 2%             | 3.0%                 | 6%        |
|                                  | VNDirect Securities     | VND VN     | 125               | 227                | Hold-Underperform | 13,850              | 13,231             | -4%            | 4.6%                 | 0%        |

\*Note: TSR = Total shareholder return over the next 12 months inclusive of expected share price change and dividends.

Pricing data as of close on Dec 10, 2019.

Source: Bloomberg, Yuanta Vietnam

**The brokers are feeling the crunch of intense competition** from disruptive new entrants from abroad with substantial capital and cheap funding. Observers tend to focus on headline brokerage market share, but this is more about bragging rights given that commissions net of costs are just slightly higher than zero. In our opinion, the competition in margin lending is far more insidious given that this business is a core driver of brokerage profitability—indeed, it is *the* core drive of sustainable profits in retail broking.

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The increased competition is more of a structural concern than the ebbs and flows of capital markets enthusiasm and capital that have historically driven brokerage share prices, in our view. In particular, several brokers have been aggressively picking up market share in margin lending in recent quarters.

**Fig 2: Valuations and profitability**

| Stock Code | PER (x) |       |       | PEG (x) |       |       | PBV (x) |       |       | ROE (%) |       |       | ROA (%) |       |       |
|------------|---------|-------|-------|---------|-------|-------|---------|-------|-------|---------|-------|-------|---------|-------|-------|
|            | 2018A   | 2019F | 2020F | 2018A   | 2019F | 2020F | 2018A   | 2019F | 2020F | 2018A   | 2019F | 2020F | 2018A   | 2019F | 2020F |
| HCM VN     | 4.9     | 19.9  | 13.8  | 0.2     | (0.3) | 0.3   | 2.3     | 1.6   | 1.5   | 23.1    | 10.6  | 12.5  | 10.39   | 5.89  | 7.03  |
| SSI VN     | 8.7     | 11.6  | 9.6   | 2.8     | (0.5) | 0.4   | 1.1     | 1.1   | 1.0   | 14.8    | 9.3   | 10.7  | 5.69    | 3.41  | 3.62  |
| VCI VN     | 5.6     | 8.4   | 8.7   | (4.6)   | (0.2) | (2.3) | 1.4     | 1.3   | 1.2   | 24.7    | 16.3  | 14.1  | 12.51   | 8.46  | 6.87  |
| VND VN     | 7.6     | 8.9   | 8.9   | (0.3)   | (0.6) | 47.7  | 1.0     | 0.9   | 0.9   | 13.7    | 11.3  | 10.4  | 3.83    | 2.95  | 2.56  |

Pricing data as of close on Dec 10, 2019.

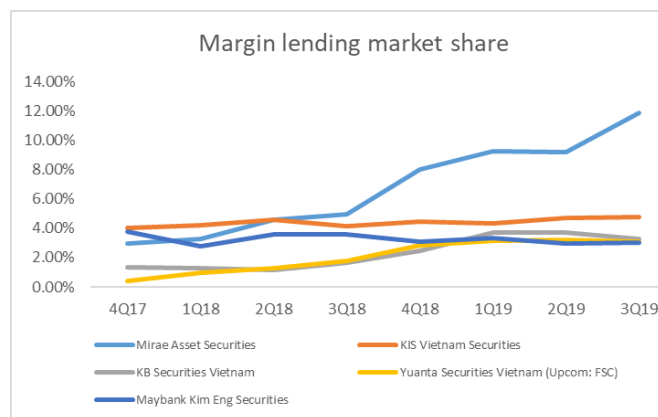
Source: Bloomberg, Yuanta Vietnam

Source: Bloomberg, Yuanta Research

Observers on the ground are quick to blame this on the Korean brokers, and indeed the phenomenon is most clearly demonstrated by Mirae Asset Securities' No.1 position in margin lending in Vietnam in 3Q19, a quarter

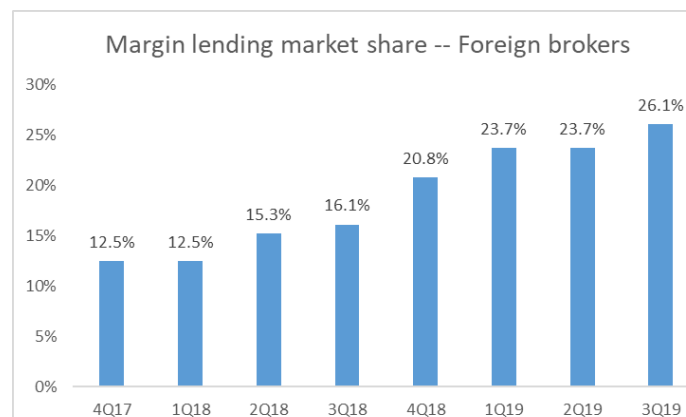
in which the Korean asset manager's Vietnam subsidiary by itself accounted for an astounding 75% of sequential growth in total margin lending in Vietnam.

**Fig 3: Foreign brokers are gaining market share in margin lending...**



Source: FiinPro, Yuanta Vietnam

**Fig 4: ...and now account for over a quarter of outstanding margin loans**



Aggregate market share of Mirae, KIS, KB, Yuanta, and Maybank-Kim Eng Securities

Source: FiinPro, Yuanta Vietnam

**Core profitability driver 1: Margin lending, which is under competitive pressure**

A myopic focus on market share of brokerage fees for the purposes of bragging rights is not a cohesive strategy, in our opinion. As such, we are less concerned about swings in market share of total turnover (the exchanges report the top ten brokers every quarter). However, margin finance is one of the two key drivers of brokerage sector profitability. So the progress in margin lending made by these aggressive incoming players is a rational concern for investors in the “big four” domestic brokerages that constitute our coverage.

**Core profitability driver 2: Investment banking, for which the 2020 outlook may be more similar to 2019 than 2018...**

The other key driver of brokerage returns is investment banking, and the good news is that the domestic brokers have obvious advantages here that are not simply a function of pricing. However, 2019 has not been a banner year for I/B given the sharp decline in dealflow vs. 2017-18. For several reasons, we do not expect investment banking dealflow to rebound sharply in 2020, and we would not expect this business to grow meaningfully until at least 2021. Thus, our focus in this note is the increasing competition for retail investor wallet share.

For the domestic brokers, this is the unfortunate reality of the market environment. Assuming the high intensity of price competition persists, the profitability of the domestic brokers is likely to continue to be squeezed. We could posit a glass-half-full view that small, semi-dormant domestic players are even more poorly positioned than the firms in our coverage universe, which should lead to market exit for such firms and therefore an easier competitive landscape for the winners. However, this is cold comfort given the strong staying power of the foreign brokers. In other words, this is a structural change in our opinion, and we don't expect the competition to evaporate going forward.

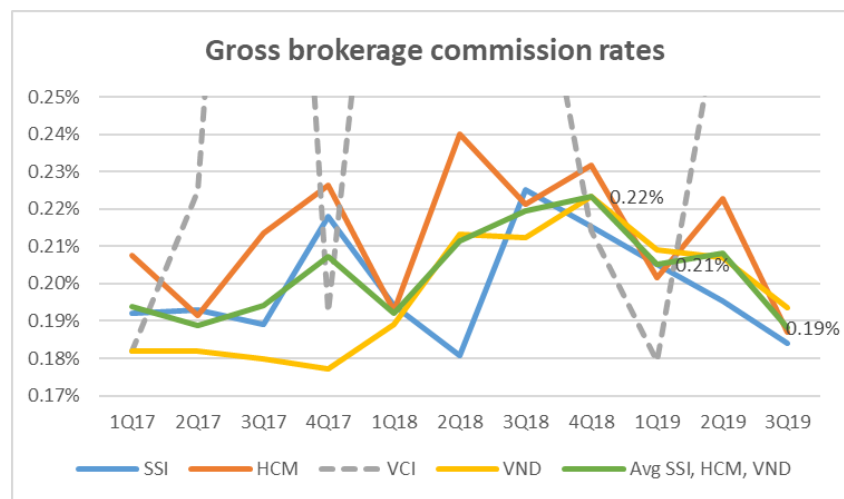
## Trading commissions: Still pressured, but 3Q19 results indicate reduced compression in fees

### Requiem for the mandatory brokerage commission floor

Interestingly, the average gross commission rate as calculated by our methodology has only fallen slightly since the commission floor was eliminated in mid-February. Our methodology probably overstates average commission rates (please see the blue box on Page 7 for a discussion of the details) but we still think it illustrates the trend.

The average brokerage commission rate fell only slightly (i.e., by 1bp QoQ) in 1Q19. This rate remained flat sequentially in 2Q19, the first full quarter of (legal) free-for-all commission warfare, then fell 2bps QoQ in 3Q19 to reach 19bps, a level that is still in line with its historical results.

**Fig 5: Top-line brokerage fees are down YTD, but the decline has not been precipitous.**



Source: HOSE, HNX, Bloomberg, Company data, Yuanta Research

### Gross fees have not plummeted, but net brokerage commissions have fallen more rapidly since the demise of the commission floor.

So everything is rosy, right? Wrong. Focusing only on gross fees would be similar to measuring an industrial firm's profitability by its gross revenues without taking COGS into account. In other words, it is not particularly meaningful for measuring the profitability of the various business lines that the brokers operate. For this reason, we analyze the brokers' income statements by calculating net income (i.e., after the relevant costs) by line item for businesses such as brokerage, prop trading, and fees. Fortunately, these cost items are all reported in disaggregated form on the companies' P&L statements.

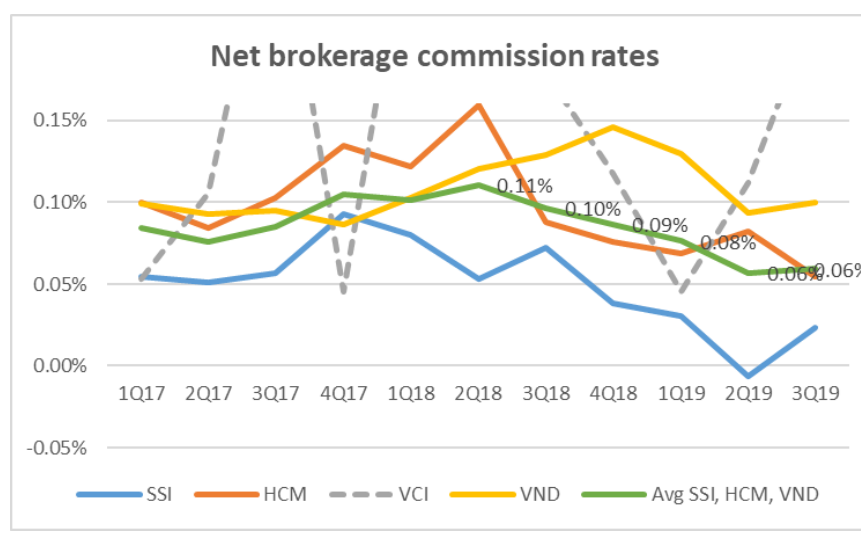
This analysis tells a different tale: the reported costs attributable to pure brokerage have risen substantially YTD, resulting in considerably more compression in estimated net brokerage commissions than that of gross commissions. Whether this is the result of actual incurred costs (e.g., increased RM compensation) or other factors (e.g., accounting-related effects representing *de-facto* commission rebates) is unclear from the financial statements.

Our key point here is that net commissions both in absolute terms and as a percentage of each broker's estimated share of market turnover are better indicators of pure brokerage profitability than gross commissions. Unfortunately, net commissions have come under significant pressure since the commission floor's demise. Average quarterly net commission rates were 9-11bps in 2018, but fell to 8bps in 1Q19 and 6bps in 2Q19.

**Net commissions were slightly higher in 3Q19 than they were in 2Q19, largely due to SSI's negative 2Q19 base.**

We can draw some comfort from the fact that net commission rates did not continue to fall in 3Q19, when they remained at 6bps based on our estimate. But this is still roughly one-third to one-half lower than they were in 2018. We attribute the flat QoQ performance to SSI, which posted *negative* net brokerage fee rates of -1bp in 2Q19 before reverting to a positive territory (barely, at just +2bp) in 3Q19, again based on our estimates.

**Fig 6: However, despite a slight improvement in 3Q19, net brokerage fees have been crushed in 2019.**



Source: HOSE, HNX, Bloomberg, Company data, Yuanta Research

**Fig 7: Net brokerage commissions / net operating revenues**

|                | 1Q17       | 2Q17       | 3Q17       | 4Q17       | 1Q18       | 2Q18       | 3Q18       | 4Q18       | 1Q19       | 2Q19       | 3Q19       |
|----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| SSI            | 8%         | 12%        | 20%        | 26%        | 30%        | 31%        | 12%        | 11%        | 6%         | -1%        | 4%         |
| HCM            | 33%        | 26%        | 29%        | 54%        | 33%        | 67%        | 30%        | 32%        | 26%        | 27%        | 18%        |
| VCI            | 9%         | 20%        | 40%        | 13%        | 56%        | 88%        | 39%        | 55%        | 8%         | 25%        | 36%        |
| VND            | 16%        | 22%        | 23%        | 22%        | 38%        | 38%        | 29%        | 32%        | 22%        | 19%        | 16%        |
| <b>Average</b> | <b>17%</b> | <b>20%</b> | <b>28%</b> | <b>29%</b> | <b>39%</b> | <b>56%</b> | <b>27%</b> | <b>32%</b> | <b>16%</b> | <b>18%</b> | <b>19%</b> |

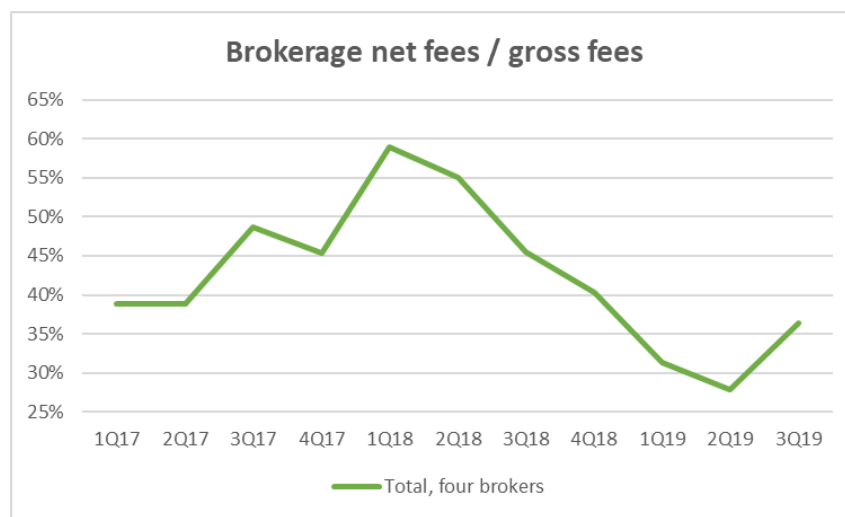
Source: Company data, Yuanta Vietnam

Another way to look at pure brokerage profitability is to measure the profit margin of this business by computing the ratio of net brokerage fees divided by gross brokerage revenues. This is problematic given that it ignores how these fees were earned (i.e., market share of equities turnover). However, it avoids the error introduced by our turnover estimates because it is based purely on the brokers' financial statements.

For example, SSI's gross brokerage revenues were VND 4 billion less than its brokerage expenses in 2Q19 (i.e., SSI posted a VND 4 billion loss on its brokerage business during the quarter) based on its P&L for the quarter.

Again, there is a lot of noise in the quarterly data. But the trend generally indicates an overall decrease among the four brokers—but not, fortunately, to sub-zero levels in 3Q19.

**Fig 8: Pure brokerage profit margins are under pressure**



Source: HOSE, HNX, Bloomberg, Company data, Yuanta Research

Thus, the good news is that overall net commissions rates were positive for all the brokers in our coverage universe in 3Q19. We attribute this (perhaps optimistically) to a general reluctance to continue chasing market share against a backdrop of brutal competition from well-funded foreign competitors. It is a tough operating environment, but our preference is for a focus on profitability rather than protecting market share in an environment of irrational pricing.

**A caveat on our brokerage commission estimation methodology:** the accuracy of our quarterly commission rate estimates is admittedly less than perfect. We estimate brokerage commission rates by examining each of the four brokers' quarterly market share on the three exchanges (HOSE, HNX, and UPCOM). This approach ignores off-exchange transactions (i.e., foreign institutional trading of full-FOL shares) which we think skews the results substantially, especially for VCI. This approach also ignores brokerage income from derivatives (i.e., index futures and warrants), from non-index component stocks, and from bond trading (all of which, in decreasing order, are marginal revenue streams for the listed brokers anyway). Net-net, the results of this methodology probably present commissions as higher than they really are.

For example, the error in methodology is most obvious for VCI, which exhibits huge swings in its gross brokerage income / estimated equities turnover from quarter to quarter. We can't pinpoint the exact reason, as our lines of communication are less than perfect. So we can only postulate that the (surely wrong) results of our commission estimates for VCI are due to large off-exchange transactions where the brokerage income is reflected on the P&L (resulting in a correctly increased numerator) but which are not included in the company's "equities market share" reported by the exchanges (resulting in an inaccurately low denominator). For this reason, we exclude VCI from our "average" line.

Ultimately, we are trying to gauge the trend in commission rates rather than pinpoint them with surgical precision; we think this methodology is at least somewhat effective at illustrating the trend.

In any case, pure brokerage, far from being a money spinner, should be considered as a platform for the key profit drivers of the brokerage business in Vietnam: margin lending and investment banking.

Brokers that lack the resources to engage in these businesses will find it tough to operate profitably, in our view. In a closed environment, this might create hopes for potential industry consolidation as weak players are driven to exit the business. However, we aren't particularly optimistic that this will happen in the medium term, and the market would remain highly fragmented and competitive even if it does. As the market share tables below illustrate, the market is open to well-funded foreign players who are both aggressive and well-funded.

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**Brokerage market share gainers have largely excluded the Big Four.**

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Notable sequential gainers in HOSE market share include Mirae (5.3% HOSE market share in 3Q19, +158bps QoQ), VP Securities (4.3% market share, +125bps QoQ), BVS (4.5% market share, +59bps QoQ). By contrast, in our coverage universe SSI (13.6% market share, +45bps QoQ) and VND (7.16% market share, +30bps QoQ) saw smaller increases, whereas both HCM and VCI let their market share slide sequentially; this perhaps makes sense given the relatively low foreign institutional investor activity during the quarter.

**Fig 9: HOSE Quarterly market share**

|                         | 4Q17   | 1Q18   | 2Q18   | 3Q18   | 4Q18   | 1Q19   | 2Q19   | 3Q19   |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| SSI                     | 17.97% | 18.98% | 23.08% | 15.79% | 14.99% | 14.54% | 13.15% | 13.60% |
| HCM                     | 15.83% | 12.15% | 11.26% | 11.51% | 9.52%  | 10.82% | 11.31% | 10.59% |
| VCSC                    | 10.84% | 8.75%  | 10.51% | 8.88%  | 17.04% | 10.05% | 9.37%  | 7.04%  |
| VNDS                    | 7.11%  | 8.02%  | 6.92%  | 7.71%  | 6.36%  | 7.75%  | 6.86%  | 7.16%  |
| Saigon-Hanoi Securities | 3.69%  | 6.30%  | 5.01%  | 4.47%  | 3.86%  | 3.61%  | 3.50%  | n/a    |
| MB Securities           | 6.26%  | 4.15%  | 3.67%  | 5.93%  | 5.14%  | 5.36%  | 4.16%  | 4.54%  |
| KIS Securities          | n/a    | n/a    | n/a    | n/a    | n/a    | 3.11%  | n/a    | 3.03%  |
| ACB Securities          | 3.15%  | 3.98%  | 3.53%  | 3.21%  | 2.80%  | 3.18%  | n/a    | n/a    |
| FPT Securities          | 2.96%  | 3.63%  | 3.09%  | 3.25%  | 3.30%  | n/a    | n/a    | n/a    |
| Bao Viet Securities     | 3.09%  | 3.05%  | n/a    | 3.09%  | 2.98%  | 3.67%  | 3.89%  | 4.48%  |
| VP Securities           | n/a    | n/a    | n/a    | n/a    | 2.87%  | 3.14%  | 3.08%  | 4.33%  |
| Mirae Asset Securities  | 3.14%  | n/a    | 2.88%  | 3.47%  | n/a    | n/a    | 3.69%  | 5.27%  |
| VDSC -- Rong Viet       | n/a    | 2.86%  | n/a    | n/a    | n/a    | n/a    | 3.23%  | n/a    |
| BOS Securities          | n/a    | n/a    | 3.46%  | n/a    | n/a    | n/a    | n/a    | 3.67%  |

Source: Ho Chi Minh City Stock Exchange (HOSE)

**Fig 10: HNX Quarterly market share**

|                         | 4Q17   | 1Q18   | 2Q18   | 3Q18   | 4Q18  | 1Q19  | 2Q19   | 3Q19   |
|-------------------------|--------|--------|--------|--------|-------|-------|--------|--------|
| SSI                     | 10.65% | 13.61% | 11.18% | 11.70% | 9.80% | 9.90% | 11.11% | 10.37% |
| HSC                     | 7.21%  | 8.97%  | 8.07%  | 9.42%  | 7.60% | 7.44% | 6.88%  | 6.74%  |
| VCSC                    | 3.53%  | 4.80%  | 4.66%  | 4.15%  | 4.21% | 3.46% | 3.44%  | n/a    |
| VNDS                    | 7.86%  | 9.13%  | 8.49%  | 9.64%  | 9.59% | 9.66% | 7.92%  | 8.17%  |
| Saigon-Hanoi Securities | 10.51% | 8.62%  | 9.52%  | 7.28%  | 7.94% | 5.86% | 5.54%  | 5.00%  |
| MB Securities           | 7.75%  | 7.90%  | 7.38%  | 7.51%  | 6.72% | 6.38% | 5.97%  | 5.68%  |
| KIS Securities          | n/a    | n/a    | n/a    | n/a    | n/a   | n/a   | n/a    | 4.18%  |
| ACB Securities          | 8.71%  | 4.73%  | 6.78%  | 3.78%  | 4.33% | 4.45% | 3.64%  | n/a    |
| FPT Securities          | 3.68%  | 4.68%  | 5.28%  | 4.96%  | 4.90% | 4.17% | 4.55%  | 4.59%  |
| BIDV Securities         | 3.82%  | 4.17%  | 3.56%  | 3.39%  | n/a   | 3.61% | n/a    | n/a    |
| Vietcombank Securities  | 5.04%  | NA     | 3.72%  | 3.51%  | n/a   | n/a   | n/a    | 3.75%  |
| Bao Viet Securities     | n/a    | n/a    | n/a    | n/a    | 5.39% | n/a   | n/a    | n/a    |
| VP Securities           | n/a    | 3.42%  | n/a    | n/a    | 4.02% | 4.35% | 6.01%  | 6.33%  |
| Mirae Asset Securities  | n/a    | n/a    | n/a    | n/a    | n/a   | n/a   | 3.51%  | 5.19%  |

Source: Hanoi Stock Exchange (HNX)

**Fig 11: UCom Quarterly market share**

|                            | 4Q17   | 1Q18   | 2Q18   | 3Q18   | 4Q18   | 1Q19   | 2Q19  | 3Q19   |
|----------------------------|--------|--------|--------|--------|--------|--------|-------|--------|
| SSI                        | 9.39%  | 12.26% | 8.66%  | 11.10% | 11.78% | 10.74% | 9.14% | 9.82%  |
| HSC                        | 4.44%  | 6.39%  | 6.30%  | 5.51%  | 7.59%  | 6.15%  | 9.20% | 8.99%  |
| VCSC                       | 5.72%  | 7.08%  | 10.51% | 7.50%  | 5.82%  | 5.29%  | n/a   | n/a    |
| VNDS                       | 15.07% | 9.26%  | 11.54% | 13.28% | 8.22%  | 8.42%  | 9.07% | 9.27%  |
| Saigon-Hanoi Securities    | 10.24% | 4.21%  | 4.74%  | 6.19%  | 5.61%  | 4.24%  | 5.04% | n/a    |
| MB Securities              | 5.46%  | 4.99%  | 4.58%  | 5.66%  | 5.65%  | 6.83%  | 6.61% | 6.65%  |
| BIDV Securities            | 8.14%  | 5.64%  | 5.14%  | 5.82%  | 5.49%  | 7.25%  | 4.33% | 4.36%  |
| Vietcombank Securities     | 3.35%  | 6.07%  | 3.96%  | n/a    | 4.03%  | 4.19%  | 5.61% | 4.11%  |
| Bao Viet Securities        | 5.27%  | n/a    | 3.82%  | n/a    | n/a    | 4.53%  | n/a   | 4.58%  |
| VP Securities              | n/a    | n/a    | n/a    | 4.13%  | 6.38%  | 7.27%  | 6.80% | 8.28%  |
| Maybank Kim Eng Securities | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a   | 3.32%  |
| Vietin Bank                | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | 4.07% | n/a    |
| Tan Viet Securities        | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a   | 10.57% |

Source: Hanoi Stock Exchange (HNX)

**Fig 12: Derivatives Quarterly market share**

|                        | 4Q17   | 1Q18   | 2Q18   | 3Q18   | 4Q18   | 1Q19   | 2Q19   | 3Q19   |
|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| SSI                    | 26.87% | 21.86% | 16.52% | 15.40% | 11.12% | 9.87%  | 6.80%  | 5.90%  |
| HSC                    | 21.19% | 20.22% | 25.94% | 25.35% | 18.62% | 13.79% | 7.29%  | 7.01%  |
| VCSC                   | 5.13%  | 2.54%  | 2.64%  | 2.84%  | 1.85%  | 1.63%  | n/a    | n/a    |
| VNDS                   | 20.89% | 25.29% | 27.35% | 23.98% | 21.49% | 15.16% | 12.57% | 12.14% |
| MB Securities          | 12.91% | 16.20% | 17.22% | 15.88% | 16.77% | 12.84% | 10.65% | 10.28% |
| KIS Securities         | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    |
| ACB Securities         | n/a    | n/a    | n/a    | n/a    | 0.64%  | 1.24%  | 0.93%  | n/a    |
| FPT Securities         | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | 1.01%  | 1.42%  |
| BIDV Securities        | 9.17%  | 5.49%  | 3.84%  | 4.65%  | 3.65%  | 2.76%  | 1.98%  | 1.08%  |
| Vietcombank Securities | n/a    | n/a    | n/a    | 1.39%  | 2.21%  | 1.80%  | 1.51%  | 1.18%  |
| VP Securities          | 3.83%  | 8.39%  | 6.50%  | 9.87%  | 21.79% | 37.50% | 51.82% | 55.92% |
| Mirae Asset Securities | n/a    | n/a    | n/a    | n/a    | n/a    | n/a    | 3.39%  | 2.47%  |
| Viet Dragon            | n/a    | n/a    | n/a    | 0.21%  | 1.15%  | 1.21%  | n/a    | 0.93%  |
| KIS Vietnam            | n/a    | n/a    | n/a    | 0.43%  | 0.39%  | n/a    | n/a    | n/a    |

Source: Hanoi Stock Exchange (HNX)

# Margin lending: Solid growth, but who is winning?

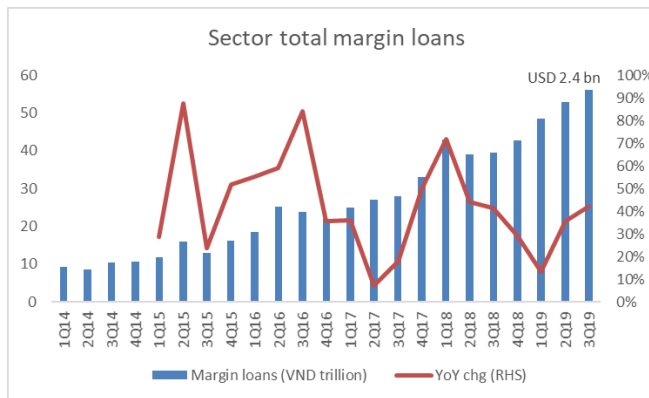
**The competitive inroads made by foreign disruptors is even more evident in margin lending.**

In our view, margin finance is a core driver of profitability for securities brokers, so the increased competition from well-funded (i.e., cheaply funded) foreign interlopers is even more insidious than the brokerage commission race-to-the-bottom.

Overall margin lending in Vietnam has persistently increased despite the relatively weak stock market as illustrated by the 19% fall in the VNIndex between April 2018 and September 2019. Total margin loans reached VND 55 trillion (US\$2.4 billion) in 3Q19, up 4.3% QoQ, up 40% YoY, and 29% higher than it was at the peak of the early 2018 bull market.

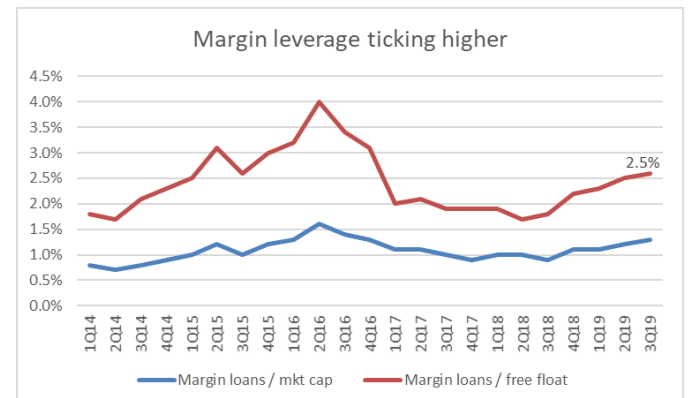
The increase in margin lending is a positive indicator of both retail investor sentiment and brokerage earnings, in our view.

**Fig 13: Margin loans have persistently increased despite weak markets**



Source: FiinPro, Yuanta Vietnam

**Fig 14: Margin loans as a percentage of free float market cap is worth watching**

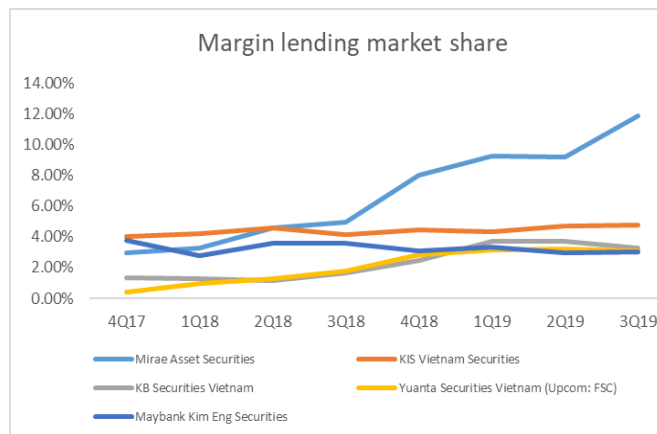


Source: FiinPro, Bloomberg, Yuanta Vietnam

**By itself, Mirae Asset Securities accounted for an astounding 75% of the QoQ increase in overall brokerage loans in 3Q19.**

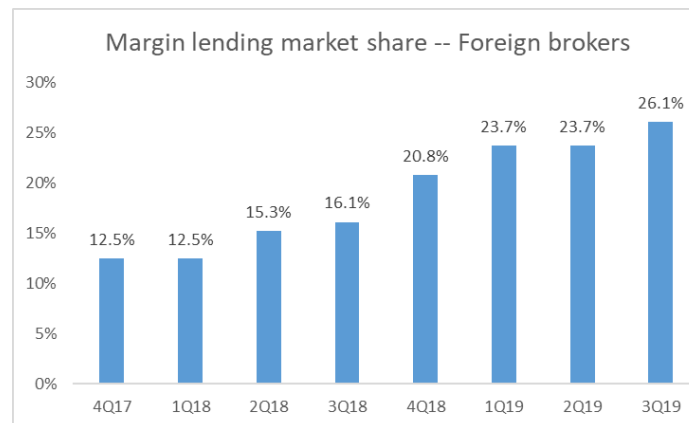
However, the Vietnam subsidiaries of the five major foreign brokers accounted for 51% of the YoY increase and 81% of the QoQ change. More specifically, Mirae Asset Securities grew its margin loans by 35% QoQ in 3Q19 to account for an astounding 75% of the sequential increase in brokerage margin lending in the entire sector.

**Fig 15: Foreign brokers are gaining market share in margin lending...**



Source: FiinPro, Yuanta Vietnam

**Fig 16: ...and now account for over a quarter of outstanding margin loans**



Aggregate market share of Mirae, KIS, KB, Yuanta, and Maybank-Kim Eng Securities

Source: FiinPro, Yuanta Vietnam

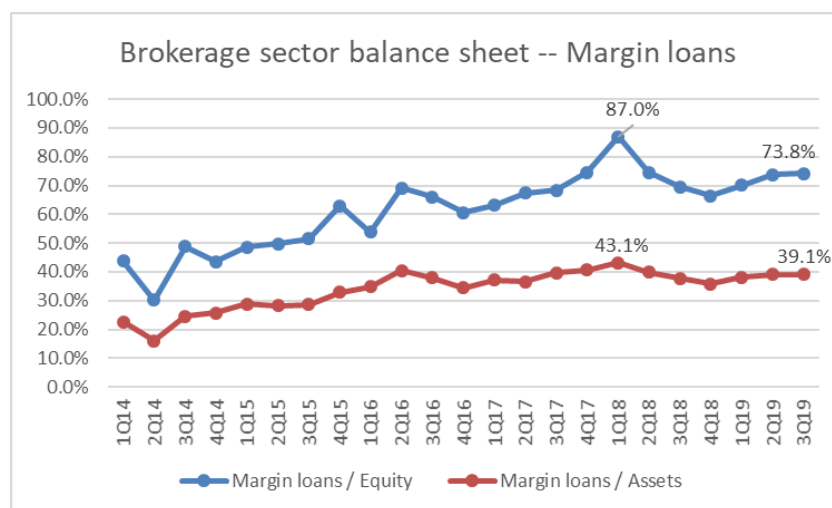
**Fig 17: Margin Lending Quarterly market share (Top 20 only)**

|                             | 4Q17   | 1Q18   | 2Q18   | 3Q18   | 4Q18   | 1Q19   | 2Q19   | 3Q19   |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Mirae Asset Securities      | 2.95%  | 3.28%  | 4.60%  | 4.97%  | 8.01%  | 9.27%  | 9.20%  | 11.90% |
| SSI                         | 17.03% | 16.31% | 14.92% | 13.44% | 13.97% | 12.30% | 11.28% | 10.82% |
| HCM                         | 13.56% | 11.44% | 7.70%  | 10.93% | 7.36%  | 7.72%  | 8.78%  | 8.47%  |
| VND                         | 9.06%  | 8.69%  | 7.06%  | 8.24%  | 5.75%  | 5.04%  | 5.60%  | 5.36%  |
| VCI                         | 10.02% | 9.35%  | 11.04% | 9.90%  | 6.23%  | 4.70%  | 5.27%  | 5.05%  |
| KIS Vietnam                 | 4.00%  | 4.19%  | 4.61%  | 4.14%  | 4.47%  | 4.31%  | 4.72%  | 4.79%  |
| MB Securities               | n/a    | 5.98%  | 5.22%  | n/a    | 5.39%  | 5.09%  | 4.79%  | 4.60%  |
| KB Securities Vietnam       | 1.36%  | 1.26%  | 1.15%  | 1.66%  | 2.46%  | 3.69%  | 3.69%  | 3.29%  |
| FPT Securities              | 3.95%  | 3.92%  | 4.48%  | 4.63%  | 3.55%  | 3.41%  | 3.15%  | 3.26%  |
| Techcom Securities          | n/a    | 1.99%  | 2.58%  | 3.13%  | 3.18%  | 2.95%  | 3.26%  | 3.12%  |
| SHS                         | 6.11%  | 5.43%  | 5.15%  | 4.92%  | 4.20%  | 3.28%  | 3.19%  | 3.06%  |
| Yuanta Vietnam              | 0.41%  | 0.95%  | 1.30%  | 1.78%  | 2.82%  | 3.12%  | 3.19%  | 3.06%  |
| Maybank Kim Eng             | 3.75%  | 2.79%  | 3.59%  | 3.58%  | 3.07%  | 3.33%  | 2.94%  | 3.05%  |
| Bao Viet Securities         | 3.27%  | 2.69%  | 3.26%  | 3.04%  | 3.40%  | 3.06%  | 2.94%  | 2.92%  |
| Viet Dragon Securities      | 3.63%  | 3.65%  | 3.55%  | 4.13%  | 3.16%  | 3.33%  | 2.89%  | 2.77%  |
| Tan Viet Securities         | 2.68%  | 2.37%  | 2.19%  | 2.80%  | 2.65%  | 2.58%  | 2.29%  | 2.20%  |
| Vietcombank Securities      | 2.88%  | 2.92%  | 2.84%  | 2.29%  | 1.86%  | 1.79%  | 1.94%  | 1.86%  |
| Phu Hung Securities         | 1.97%  | 2.00%  | 1.93%  | 2.67%  | 2.69%  | 2.35%  | 1.87%  | 1.79%  |
| BIDV Securities (HOSE: BSI) | 1.82%  | 1.93%  | 2.05%  | 1.83%  | 1.73%  | 1.46%  | 1.54%  | 1.60%  |
| AgriBank Securities         | 1.85%  | 1.61%  | 1.87%  | 1.99%  | 1.94%  | 2.41%  | 1.76%  | 1.55%  |

Source: FiinPro

Unfortunately, data on margin lending is only available on a quarterly basis, and then only in aggregate for each broker rather than loan exposure to individual stocks (both of which are available for public consideration on a daily basis in other emerging markets such as Taiwan and even China). This is a concern for investors because punters who purchase shares on margin will eventually unwind their positions. In the case of a sharp downturn, the brokers' friendly margin clerks will do the selling for the unlucky punters, thus exacerbating the sell-off.

**Fig 18: Margin loans are 39% of total sector assets**



Source: HOSE, HNX, Bloomberg, Company data, Yuanta Research

**Are brokerage fees destined to be a loss-leader product to attract margin lending?**

A possible rationale for letting brokerage commissions net of costs slide would be as a loss leader to accrue market share in margin lending, which to our minds is the key driver of sustainable revenues in retail broking. It's hard to argue against gross yields of roughly 12% annualized on collateralized lending, as exhibited in the table below.

**Fig 19: Quarterly margin finance gross yields**

|                | 1Q17       | 2Q17       | 3Q17       | 4Q17       | 1Q18       | 2Q18       | 3Q18       | 4Q18       | 1Q19       | 2Q19       | 3Q19       |
|----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| SSI            | 12%        | 12%        | 12%        | 12%        | 11%        | 12%        | 11%        | 12%        | 10%        | 12%        | 12%        |
| HCM            | 13%        | 12%        | 13%        | 13%        | 13%        | 14%        | 12%        | 12%        | 12%        | 12%        | 11%        |
| VCI            | 12%        | 11%        | 10%        | 12%        | 10%        | 9%         | 9%         | 18%        | 11%        | 12%        | 12%        |
| VND            | 12%        | 13%        | 14%        | 14%        | 14%        | 14%        | 12%        | 13%        | 14%        | 15%        | 14%        |
| <b>Average</b> | <b>12%</b> | <b>12%</b> | <b>12%</b> | <b>13%</b> | <b>12%</b> | <b>12%</b> | <b>11%</b> | <b>14%</b> | <b>12%</b> | <b>13%</b> | <b>12%</b> |

Source: Company data, Yuanta Vietnam

We calculate the yields in the above table by dividing the brokers' reported gross income (a flow) from the average margin lending taken from the quarterly balance sheet (a snapshot). The risk is that quarter-end leverage reduction (aka window dressing) may skew this result. A more accurate approach would use the actual average margin loans during the quarter as the denominator, but unfortunately this information is not available to us.

**Fig 20: Margin lending interest / gross revenues**

|                | 1Q17       | 2Q17       | 3Q17       | 4Q17       | 1Q18       | 2Q18       | 3Q18       | 4Q18       | 1Q19       | 2Q19       | 3Q19       |
|----------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| SSI            | 28%        | 30%        | 52%        | 30%        | 35%        | 62%        | 27%        | 52%        | 40%        | 40%        | 36%        |
| HCM            | 65%        | 50%        | 60%        | 44%        | 35%        | 60%        | 54%        | 82%        | 71%        | 74%        | 69%        |
| VCI            | 24%        | 25%        | 24%        | 35%        | 22%        | 34%        | 38%        | 76%        | 26%        | 40%        | 41%        |
| VND            | 33%        | 43%        | 46%        | 39%        | 51%        | 58%        | 39%        | 48%        | 34%        | 57%        | 37%        |
| <b>Average</b> | <b>38%</b> | <b>37%</b> | <b>45%</b> | <b>37%</b> | <b>36%</b> | <b>53%</b> | <b>40%</b> | <b>64%</b> | <b>43%</b> | <b>53%</b> | <b>46%</b> |

Source: Company data, Yuanta Vietnam

Gross income from margin loans accounted for an average of 52% of 4Q18-3Q19 gross revenues across our brokerage universe. We estimate net income from margin lending by establishing a funding charge assumption to measure the profitability of this business. To be sure, this is not an exact science given our inability to verify the interest charges as

allocated internally by the brokers, but as stated previously we think that analyzing (or attempting to analyze) profitability is more important than focusing on reported gross revenues. Here, the estimated contribution is slightly lower at 35% for the group over the last four quarters, but still almost double the average for pure net brokerage commissions.

We consider margin finance to be the single most critical driver of *retail* brokerage profitability. We see several reasons to be bullish about the growth potential of this business.

Brokerage margin lending does not have a long history in Vietnam. We reckon that the active investor base may be 1% of the population or even less. How many of these punters are margin borrowers is unclear, but clearly the number of investors and their propensity to use margin finance have plenty of room for growth in a system that offers few competing investment channels for a young and increasingly wealthy population with a fondness for an occasional bet or two.

## 3Q19 results in review

The table below summarizes the most recent quarterly results for the four brokers in our coverage. We think that the tough YoY comparables of recent quarters should become easier going forward given the reduced YoY base. 1H18 saw record high profitability along with the bull market that peaked in April 2018. The reported "growth" numbers, which clearly have been significantly negative YoY in 2019, should therefore look slightly better in 2020E. However, given that we do not expect a resurgence of the bull market or a surge of investment banking deals next year, the potential for a sector rerating appears to be limited.

| Quarterly earnings summary  |            |             |             |            |             |                         |
|-----------------------------|------------|-------------|-------------|------------|-------------|-------------------------|
|                             | 3Q19       |             |             | 9M19       |             |                         |
| SSI                         | (VND bn)   | YoY         | QoQ         | (VND bn)   | YoY         | vs our full-year target |
| Gross brokerage income      | 148        | -33%        | 13%         | 433        | -54%        | 72%                     |
| Net brokerage income        | 19         | -74%        | -543%       | 37         | -88%        | 72%                     |
| Service fees                | 27         | -61%        | 785%        | 38         | -55%        | 75%                     |
| Gross margin income         | 180        | 15%         | 1%          | 515        | -4%         | 72%                     |
| Prop trading                | 77         | -41%        | -39%        | 180        | 63%         | 77%                     |
| Gains from HTM assets       | 13         | -23%        | -57%        | 44         | -40%        | 71%                     |
| <b>Net operating income</b> | <b>269</b> | <b>40%</b>  | <b>6%</b>   | <b>738</b> | <b>47%</b>  | <b>78%</b>              |
| PBT                         | 506        | -12%        | 13%         | 1,347      | -9%         | 79%                     |
| <b>Reported PATMI</b>       | <b>332</b> | <b>-29%</b> | <b>26%</b>  | <b>843</b> | <b>-38%</b> | <b>80%</b>              |
| HCM                         | (VND bn)   | YoY         | QoQ         | (VND bn)   | YoY         | vs our full-year target |
| Gross brokerage income      | 117        | -26%        | -8%         | 355        | -43%        | 76%                     |
| Net brokerage income        | 34         | -46%        | -27%        | 119        | -67%        | 76%                     |
| Service fees                | 4          | -91%        | -85%        | 33         | -69%        | 67%                     |
| Gross margin income         | 129        | 14%         | -2%         | 363        | -11%        | 76%                     |
| Prop trading                | 36         | 225%        | 6%          | 78         | -57%        | 72%                     |
| Gains from AFS assets       | 0          | <i>nmf</i>  | <i>nmf</i>  | 0          | <i>nmf</i>  | <i>nmf</i>              |
| Gains from HTM assets       | 0          | <i>nmf</i>  | <i>nmf</i>  | 0          | <i>nmf</i>  | <i>nmf</i>              |
| Net operating income        | 187        | -10%        | 6%          | 508        | -43%        | 75%                     |
| PBT                         | 141        | -15%        | 4%          | 379        | -50%        | 79%                     |
| <b>Reported PATMI</b>       | <b>113</b> | <b>-14%</b> | <b>2%</b>   | <b>305</b> | <b>-49%</b> | <b>78%</b>              |
| VCI                         | (VND bn)   | YoY         | QoQ         | (VND bn)   | YoY         | vs our full-year target |
| Gross brokerage income      | 137        | -18%        | 14%         | 346        | -57%        | 79%                     |
| Net brokerage income        | 80         | -18%        | 63%         | 151        | -74%        | 68%                     |
| Service fees                | 1          | -447%       | -90%        | 14         | 551%        | 89%                     |
| Gross margin income         | 91         | -5%         | 17%         | 239        | -16%        | 71%                     |
| Prop trading                | 68         | -32%        | -64%        | 314        | -100%       | 76%                     |
| Gains from HTM assets       | 6          | <i>nmf</i>  | <i>nmf</i>  | 8          | <i>nmf</i>  | <i>nmf</i>              |
| <b>Net operating income</b> | <b>222</b> | <b>-12%</b> | <b>15%</b>  | <b>686</b> | <b>-32%</b> | <b>73%</b>              |
| PBT                         | 185        | -8%         | 8%          | 605        | -29%        | 78%                     |
| <b>Reported PATMI</b>       | <b>150</b> | <b>-6%</b>  | <b>8%</b>   | <b>493</b> | <b>-29%</b> | <b>79%</b>              |
| VND                         | (VND bn)   | YoY         | QoQ         | (VND bn)   | YoY         | vs our full-year target |
| Gross brokerage income      | 88         | -24%        | 14%         | 257        | -39%        | 84%                     |
| Net brokerage income        | 45         | -36%        | 29%         | 137        | -43%        | 85%                     |
| Service fees                | 9          | 54%         | -50%        | 32         | 312%        | 74%                     |
| Gross margin income         | 105        | 9%          | 1%          | 296        | -12%        | 62%                     |
| Prop trading                | 49         | 97%         | 21%         | 39         | 478%        | 75%                     |
| Gains from AFS assets       | 8          | <i>nmf</i>  | -129%       | 23         | 1286%       | 76%                     |
| Gains from HTM assets       | 100        | 24%         | -16%        | 281        | 43%         | 75%                     |
| <b>Net operating income</b> | <b>282</b> | <b>15%</b>  | <b>53%</b>  | <b>721</b> | <b>-9%</b>  | <b>72%</b>              |
| PBT                         | 139        | 6%          | 280%        | 288        | -30%        | 67%                     |
| <b>Reported PATMI</b>       | <b>111</b> | <b>6%</b>   | <b>243%</b> | <b>233</b> | <b>-29%</b> | <b>67%</b>              |

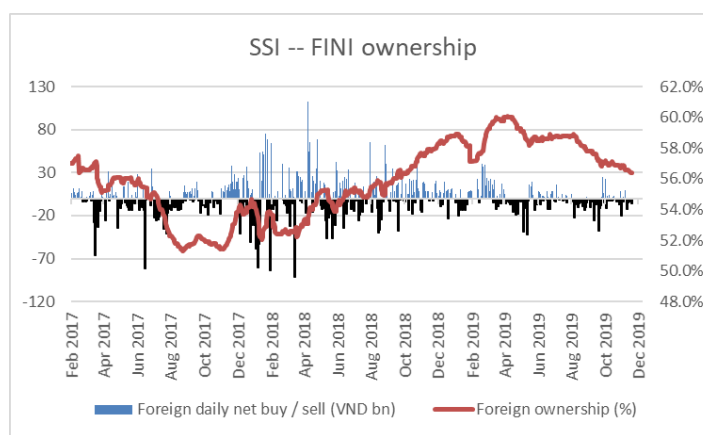
Source: Company data, Yuanta Vietnam

# Foreign net buying/selling of brokerage stocks

As illustrated in the charts below, foreign investors have been heavy net sellers of the brokers for most of 2019. According to FiinPro data, foreign investors have net sold US\$19m in brokerage stocks YTD and US\$25m since our bullish initiation report published on February 13. Foreign selling has been concentrated in the two largest names, SSI and HCM, with VCI surprisingly seeing a small increase in foreign holdings YTD.

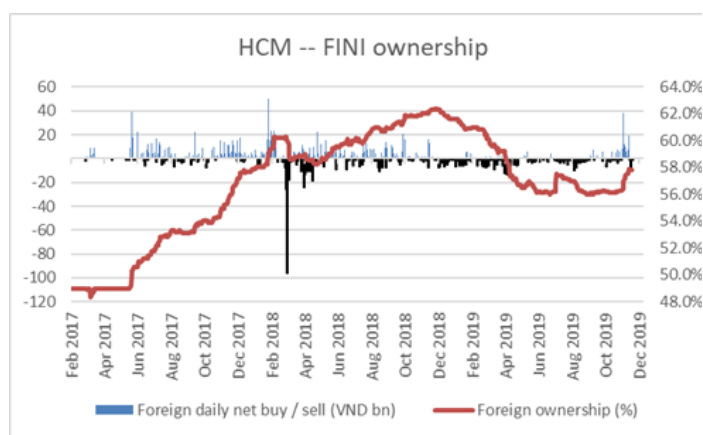
However, HCM and VND have recently seen upticks in their foreign ownership numbers. This is somewhat of a surprise given the weak yearend markets, but it's possible that investors are taking a long term view on the stocks – or that they are simply positioning themselves for a probable rally around the Tet holidays in late January.

**Fig 21: SSI – Foreign net buy/sell**



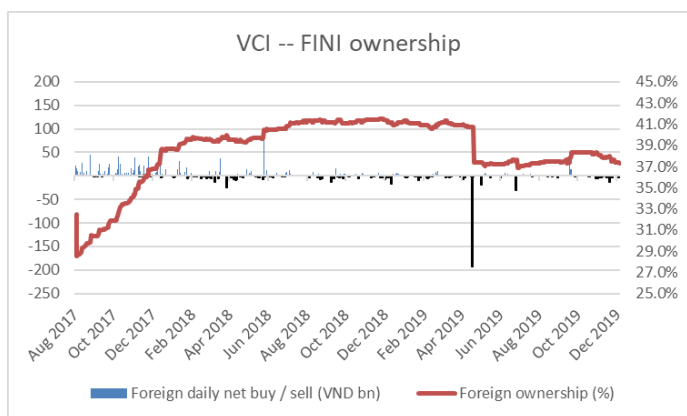
Source: FiinPro, Yuanta Vietnam

**Fig 22: HCM – Foreign net buy/sell**



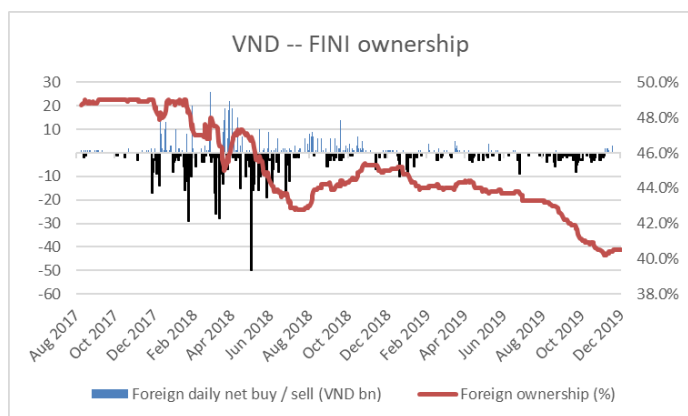
Source: FiinPro, Bloomberg, Yuanta Vietnam

**Fig 23: VCI – Foreign net buy/sell**



Source: FiinPro, Yuanta Vietnam

**Fig 24: VND – Foreign net buy/sell**



Source: FiinPro, Bloomberg, Yuanta Vietnam

**Vietnam: Brokers**
**12 December 2019**
**HCM VN**
**BUY**
**TP upside (downside) +31%**
**Close 10 Dec 2019**

|                 |            |
|-----------------|------------|
| Price           | VND 22,800 |
| 12M Target      | VND 29,931 |
| Previous Target | VND 36,200 |
| Target Change   | -17%       |

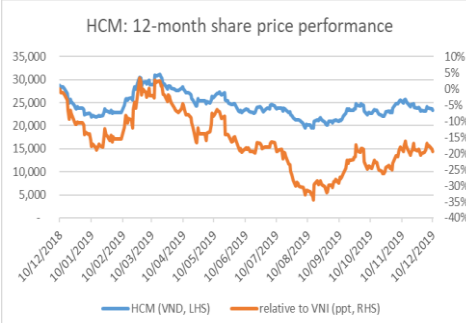
**What's new?**

- ▶ Focus on improving cost efficiencies is a positive.
- ▶ Margin lending spreads may take a beating given the funding cost advantages of foreign players.
- ▶ Earnings forecasts slashed by -37% for 2019-20E and -13% for 2021E.

**Our view**

- ▶ Stick with the winner. HCM's outperformance vs peers is likely to persist, in our view.
- ▶ The strategic focus on cost efficiency supports our confidence.
- ▶ Management bench strength is solid, reducing key employee risk.

**Company profile:** In an increasingly competitive market, HCM stands out as best positioned in our coverage to benefit from the long term development of Vietnam's capital markets given its management bench strength, focus on profitability over market share, and solid balance sheet. We also like the shareholder mix, and the stock offers sufficient trading liquidity in our view.


**Ho Chi Minh City Securities (HCM VN)**
**Focused on profitability**

HCM is relatively well positioned in this intensely competitive and cyclical industry given its strengths in institutional brokerage and investment banking. We like the governance structure, which we believe allows for an alignment of interests among minority shareholders and management.

We also like HCM's management for its execution capabilities, bench strength, and focus on profitability. Our positive view is bolstered by senior management's willingness to engage with us as sell-side analysts to present a better understanding of their overall strategy to the Street.

**Focus on profitability over market share.** HCM is very much exposed to the competitive pressures on the domestic brokerage industry. However, management deserves credit for its explicit strategy of focusing on profitability rather than market share. Recent closures of physical brokerage branches also underline the firm's focus on cost efficiency.

**Dramatic events are not in the cards, we think.** HFIC is reducing its stake in HCM from approximately 29% to 26%. But we are skeptical of intermittent chatter about a certain foreign broker's intentions regarding HCM. We have learned never to say "never", but 1) we don't see HCM's major shareholders as motivated to sell and 2) based on our discussions with colleagues at Yuanta Korea, the mooted acquirer is probably less aggressive than its compatriots are in the Vietnam market.

**We reiterate BUY** but reduce our target price to VND 29,931, for expected 12-m TSR of 34%. HCM has outperformed the sector over the past 12 months and we think this is justified. The stock's relatively high trading liquidity (especially in comparison with VCI's) and lack of FOL restrictions are also positives from a practical "investability" perspective. As such, HCM is now our only BUY in the Vietnamese brokerage sector.

|                               |                 |
|-------------------------------|-----------------|
| <b>Market cap</b>             | <b>US\$309m</b> |
| <b>6M avg. daily turnover</b> | <b>US\$887k</b> |
| <b>Outstanding shares</b>     | <b>306m</b>     |
| <b>Free float</b>             | <b>42%</b>      |
| <b>FINI ownership</b>         | <b>57%</b>      |
| <b>Major shareholders</b>     | <b>58%</b>      |
| <b>Net debt/equity</b>        | <b>29%</b>      |
| <b>2020E EV/EBITDA</b>        | <b>9.1x</b>     |
| <b>2020E P/B</b>              | <b>1.5x</b>     |
| <b>Trading platform</b>       | <b>HOSE</b>     |
| <b>FOL Room</b>               | <b>nmf*</b>     |

\*Note: HCM has no foreign ownership limit

| Key metrics     | 2018A | 2019E  | 2020E |
|-----------------|-------|--------|-------|
| Op rev (YoY)    | 33%   | -66%   | 52%   |
| Adj PATMI (YoY) | 26%   | -42%   | 44%   |
| Cur ratio (x)   | 2.3   | 2.6    | 2.4   |
| Debt/Equity (x) | 0.5   | 0.4    | 0.4   |
| ROA (x)         | 11.3% | 6.4%   | 7.7%  |
| ROE (x)         | 21.4% | 9.8%   | 11.5% |
| EPS (VND)       | 2,030 | 1,177  | 1,701 |
| EPS (YoY)       | 26.1% | -42.0% | 44.5% |
| PE (x)          | 11.2  | 19.4   | 13.4  |
| PB (x)          | 2.3   | 1.6    | 1.5   |
| Dividend yield  | 3.9%  | 8.3%   | 2.6%  |

**Matthew Smith, CFA**

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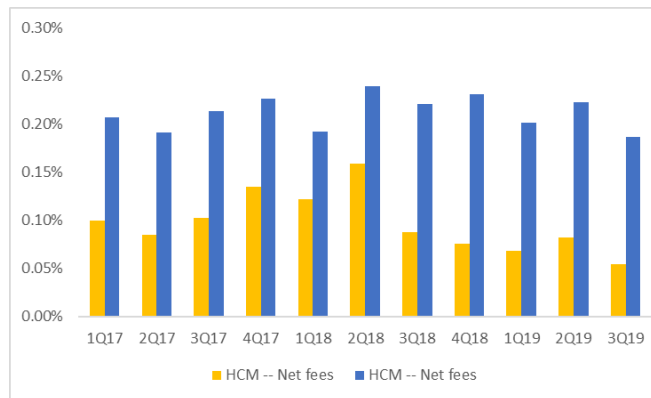
[matthew.smith@yuanta.com.vn](mailto:matthew.smith@yuanta.com.vn)
**Bloomberg code: YUTA**
**ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.**

Yuanta does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

## Still our top pick in the brokers

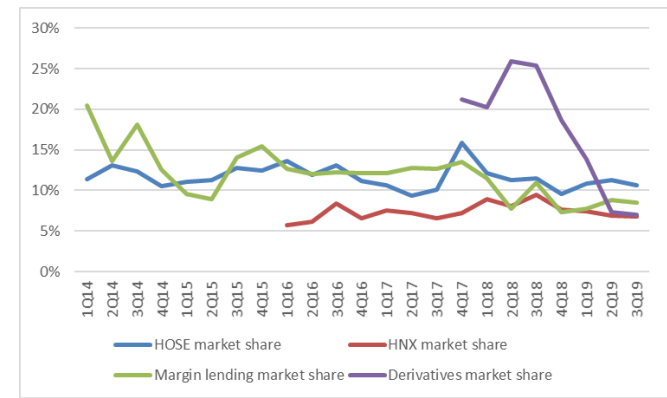
**Market proxy.** In our opinion, HCM offers long-term investors the best combination of market positioning, confidence in management’s execution capabilities and bench strength, and overall investability (i.e., sufficient liquidity and market cap) among the four brokers that we cover. The company’s dominant position is clearly not an unassailable moat, but HCM appears well positioned to benefit from our expectation for increased institutional investor presence—and more importantly, dealflow—in the years ahead. It may not be a “sleep well at night” stock given the volatile nature of the business, but we think that it’s as close as investors will find in the space. Thus, we rank HCM as our top pick for clients seeking a proxy on the long-term development of the Vietnamese capital markets, and who are willing to ride out the volatility inherent in those markets.

### HCM: Brokerage fee commissions



Source: FiinPro, Yuanta Vietnam

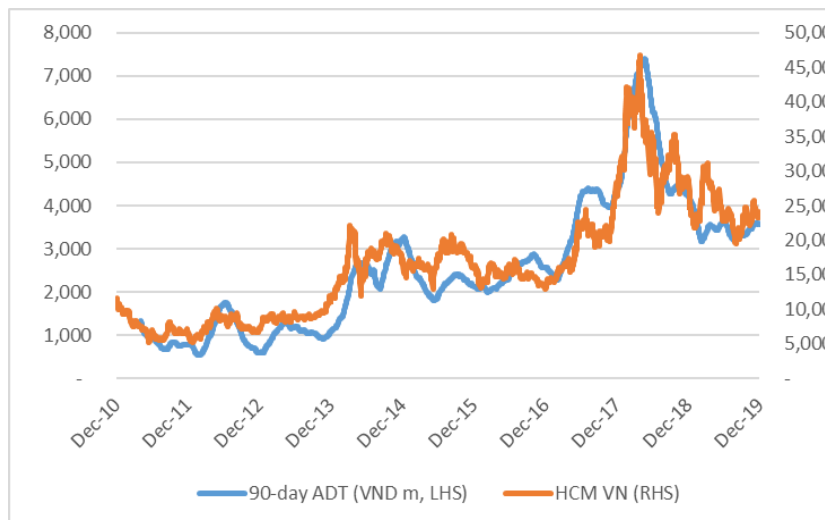
### HCM: Quarterly market share



Source: HOSE, HNX, FiinPro, Company data, Yuanta Vietnam

**Risks to our view.** The stock is highly correlated to the VNIndex (86%) and ADT (85%), implying downside risk for both operations and the share price whenever the market tanks. Of course, the opposite is also true. This is a reality of life for investors in capital markets-facing businesses: the stocks, like the markets, are highly volatile.

### Share price correlation with average daily turnover: 85%



Source: Bloomberg, Yuanta Vietnam

Perhaps a more cogent risk for HCM specifically is competition for institutional brokerage from incumbent and recent market entrants given that it ranks among the predominant players. We view margin lending and investment banking as the key drivers of brokerage profitability, and the former business is already under severe competition.

**We reduce our earnings forecasts** by 37% for 2019E and 2020E and by 13% for 2021E, with similar cuts to EPS. This is the result of a combination of marking down our forecasts in line with the company's YTD performance, reduced assumptions for the major market-related metrics that drive our model (e.g., turnover and IB business in 2019-20E), and cuts to our brokerage profitability forecasts in light of the intensity of competition in the industry.

| Earnings and target price revisions |          |        |       |          |       |       |          |       |       |
|-------------------------------------|----------|--------|-------|----------|-------|-------|----------|-------|-------|
|                                     | 2019E    |        |       | 2020E    |       |       | 2021E    |       |       |
|                                     | Previous | New    | % chg | Previous | New   | % chg | Previous | New   | % chg |
| Net income (VND bn)                 | 569      | 360    | -37%  | 831      | 520   | -37%  | 1011     | 883   | -13%  |
| EPS (VND)                           | 1,863    | 1,177  | -38%  | 2,721    | 1,701 | -38%  | 3,310    | 2,891 | -14%  |
| Target price (VND)                  | 36,200   | 29,931 | -17%  |          |       |       |          |       |       |

Source: Yuanta Securities

| Quarterly earnings summary |            |             |            |            |             |                         |
|----------------------------|------------|-------------|------------|------------|-------------|-------------------------|
| HCM                        | 3Q19       | YoY         | QoQ        | 9M19       | YoY         | vs our full-year target |
|                            | (VND bn)   |             |            | (VND bn)   |             |                         |
| Gross brokerage income     | 117        | -26%        | -8%        | 355        | -43%        | 76%                     |
| Net brokerage income       | 34         | -46%        | -27%       | 119        | -67%        | 76%                     |
| Service fees               | 4          | -91%        | -85%       | 33         | -69%        | 67%                     |
| Gross margin income        | 129        | 14%         | -2%        | 363        | -11%        | 76%                     |
| Prop trading               | 36         | 225%        | 6%         | 78         | -57%        | 72%                     |
| Gains from AFS assets      | 0          | <i>nmf</i>  | <i>nmf</i> | 0          | <i>nmf</i>  | <i>nmf</i>              |
| Gains from HTM assets      | 0          | <i>nmf</i>  | <i>nmf</i> | 0          | <i>nmf</i>  | <i>nmf</i>              |
| Net operating income       | 187        | -10%        | 6%         | 508        | -43%        | 75%                     |
| PBT                        | 141        | -15%        | 4%         | 379        | -50%        | 79%                     |
| <b>Reported PATMI</b>      | <b>113</b> | <b>-14%</b> | <b>2%</b>  | <b>305</b> | <b>-49%</b> | <b>78%</b>              |

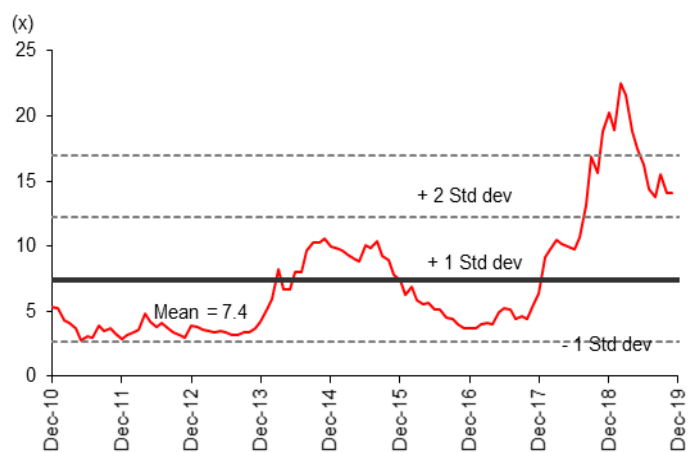
Source: FiinPro

**Valuations.** Our target price is based on the median of four fair value methodologies and implies 17.6x 2020E P/E. This valuation is supported by average 2018P-21E ROE of 15% based on a 42% YOY dip in attributable income in 2019E followed by a modest recovery in 2020-21E. Achieving our reduced forecasts would require continued growth in market activity in 2020-21E. Please note that these ROE figures are adjusted for below-the-line employee welfare payments. The shares currently trade at 1.6x 2020E P/BV and 14x adjusted 2020E PER. We are assuming a 50% dividend payout ratio on 2019E earnings, which translates into a 2.4% dividend yield.

| Price multiples |       |       |       |       |       |
|-----------------|-------|-------|-------|-------|-------|
| (x)             | 2018A | 2019E | 2020E | 2021E | 2022E |
| Reported P/E    | 10.3  | 17.8  | 12.3  | 7.2   | 5.2   |
| Adjusted P/E    | 11.2  | 19.4  | 13.4  | 7.9   | 5.7   |
| Reported P/B    | 2.3   | 1.6   | 1.5   | 1.3   | 1.1   |
| Tangible P/B    | 2.3   | 1.6   | 1.5   | 1.3   | 1.1   |
| EV / EBITDA     | 7.8   | 12.7  | 9.1   | 5.7   | 4.3   |
| Dividend Yield  | 3.9%  | 8.3%  | 2.6%  | 3.7%  | 6.3%  |

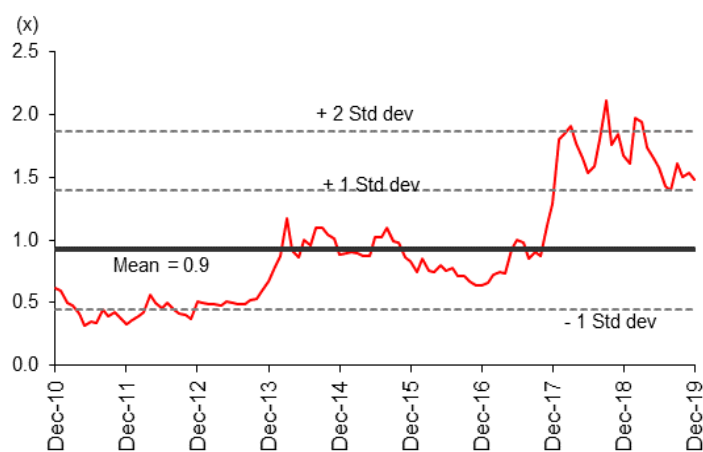
Source: Company data, Yuanta Vietnam

### HCM VN: Historical 12-month forward P/E band



Source: Company data, Bloomberg, Yuanta Vietnam

### HCM VN: Historical 12-month forward P/B band



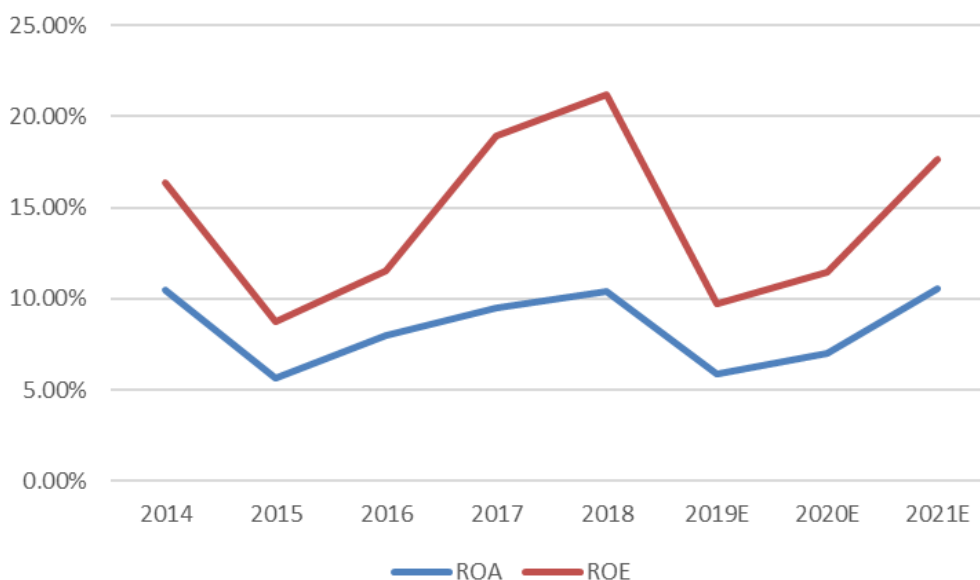
Source: Company data, Bloomberg, Yuanta Vietnam

## Valuation Summary: HCM

|                          | VND per share | Upside / downside | Implied 2019E PB (x) | Implied 2020E PE (x) |
|--------------------------|---------------|-------------------|----------------------|----------------------|
| Current price            | 22,800        |                   | 1.6                  | 13.4                 |
| DCF valuation            | 31,570        | 38.5%             | 2.2                  | 18.6                 |
| Gordon growth valuation  | 29,235        | 28.2%             | 2.0                  | 17.2                 |
| DDM                      | 30,529        | 33.9%             | 2.1                  | 17.9                 |
| SoTP                     | 29,332        | 28.7%             | 2.1                  | 17.2                 |
| Mean fair value          | 30,167        | 32.3%             | 2.1                  | 17.7                 |
| <b>Median fair value</b> | <b>29,931</b> | <b>31.3%</b>      | <b>2.1</b>           | <b>17.6</b>          |

Source: Company data, Yuanta Vietnam

### Management's focus on profitability is a key attraction



Source: Company data, Yuanta Vietnam

| <b>Income Statement: HCM</b>       |              |              |              |              |              |              |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>(VND bn)</b>                    | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> | <b>2022E</b> |
| <b>Brokerage net revenues</b>      | <b>317</b>   | <b>344</b>   | <b>157</b>   | <b>193</b>   | <b>257</b>   | <b>391</b>   |
| <b>Margin lending net revenues</b> | <b>305</b>   | <b>470</b>   | <b>175</b>   | <b>222</b>   | <b>458</b>   | <b>630</b>   |
| Gains on trading assets            | 210          | 173          | 108          | 191          | 270          | 250          |
| Gains on AFS & HTM assets          | -            | -            | -            | -            | -            | -            |
| Other investment                   | (40)         | 30           | 31           | 33           | 37           | 42           |
| <b>Total investment revenues</b>   | <b>170</b>   | <b>203</b>   | <b>139</b>   | <b>224</b>   | <b>307</b>   | <b>293</b>   |
| Net fee income                     | 36           | 96           | 49           | 73           | 110          | 137          |
| Other operating net revenues       | 7            | 11           | 9            | 10           | 11           | 12           |
| <b>Net operating revenues</b>      | <b>834</b>   | <b>1,124</b> | <b>529</b>   | <b>723</b>   | <b>1,144</b> | <b>1,463</b> |
| SG&A expenses                      | (123)        | (181)        | (211)        | (241)        | (276)        | (296)        |
| <b>Operating profit</b>            | <b>711</b>   | <b>943</b>   | <b>318</b>   | <b>482</b>   | <b>869</b>   | <b>1,167</b> |
| Associates                         | 0            | 0            | 0            | 0            | 0            | 0            |
| Non-operating revenues             | 3            | 2            | 3            | 3            | 3            | 3            |
| Interest expense (ex margin)       | (21)         | (103)        | 160          | 222          | 331          | 493          |
| <b>Pretax profit</b>               | <b>693</b>   | <b>842</b>   | <b>481</b>   | <b>707</b>   | <b>1,202</b> | <b>1,664</b> |
| Tax                                | (139)        | (167)        | (89)         | (141)        | (240)        | (333)        |
| Minorities                         | -            | -            | -            | -            | -            | -            |
| <b>Reported PATMI</b>              | <b>554</b>   | <b>675</b>   | <b>392</b>   | <b>566</b>   | <b>962</b>   | <b>1,331</b> |
| PATMI plus OCI                     | 554          | 675          | 392          | 566          | 962          | 1,331        |
| <b>Adjusted PATMI</b>              | <b>490</b>   | <b>620</b>   | <b>360</b>   | <b>520</b>   | <b>883</b>   | <b>1,222</b> |
| Reported EPS (VND)                 | 4,289        | 5,214        | 1,282        | 1,853        | 3,150        | 4,358        |
| <b>Adjusted EPS (VND)</b>          | <b>3,796</b> | <b>4,786</b> | <b>1,177</b> | <b>1,701</b> | <b>2,891</b> | <b>4,000</b> |

Source: Company data, Yuanta Vietnam

| <b>Balance sheet: HCM</b>    |              |              |              |              |              |              |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>(VND bn)</b>              | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> | <b>2022E</b> |
| Cash & equivalents           | 196          | 117          | 129          | 141          | 152          | 164          |
| Net margin loans             | 4,468        | 3,238        | 4,631        | 5,326        | 6,124        | 6,890        |
| FVPL assets                  | 861          | 852          | 809          | 931          | 1,070        | 1,204        |
| AFS assets                   | 399          | -            | -            | -            | -            | -            |
| S/T HTM assets               | -            | -            | -            | -            | -            | -            |
| Other current assets         | 582          | 858          | 1,169        | 1,229        | 1,293        | 1,359        |
| <b>Current assets</b>        | <b>6,506</b> | <b>5,065</b> | <b>6,738</b> | <b>7,626</b> | <b>8,639</b> | <b>9,618</b> |
| L/T HTM assets               | -            | -            | -            | -            | -            | -            |
| Associates                   | -            | -            | -            | -            | -            | -            |
| Other L/T assets             | 175          | 191          | 206          | 221          | 235          | 250          |
| <b>Total L-T assets</b>      | <b>175</b>   | <b>191</b>   | <b>206</b>   | <b>221</b>   | <b>235</b>   | <b>250</b>   |
| <b>Total assets</b>          | <b>6,681</b> | <b>5,256</b> | <b>6,944</b> | <b>7,847</b> | <b>8,875</b> | <b>9,868</b> |
| S/T borrowings               | 2,480        | 1,554        | 1,865        | 2,201        | 2,476        | 2,600        |
| S/T bonds                    | 800          | 150          | 173          | 302          | 377          | 396          |
| Other S/T liabilities        | 595          | 492          | 545          | 643          | 697          | 767          |
| <b>Current liabilities</b>   | <b>3,874</b> | <b>2,196</b> | <b>2,582</b> | <b>3,146</b> | <b>3,550</b> | <b>3,763</b> |
| Long-term bonds              | -            | -            | -            | -            | -            | -            |
| Other L/T liabilities        | 15           | -            | -            | -            | -            | -            |
| <b>Long-term liabilities</b> | <b>15</b>    | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     |
| Shareholder equity           | 1,295        | 1,295        | 3,059        | 3,059        | 3,059        | 3,059        |
| Reserves                     | 664          | 594          | 594          | 594          | 594          | 594          |
| Retained earnings            | 832          | 1,172        | 708          | 1,048        | 1,672        | 2,452        |
| Minority interests           | -            | -            | -            | -            | -            | -            |
| Total equity                 | 2,791        | 3,061        | 4,362        | 4,701        | 5,325        | 6,105        |
| <b>Attributable equity</b>   | <b>2,791</b> | <b>3,061</b> | <b>4,362</b> | <b>4,701</b> | <b>5,325</b> | <b>6,105</b> |
| BVPS (VND)                   | 21,542       | 23,621       | 14,273       | 15,385       | 17,424       | 19,978       |

Source: Company data, Yuanta Vietnam

| <b>Selected ratios: HCM</b>     |              |              |              |              |              |              |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Liquidity &amp; leverage</b> | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> | <b>2022E</b> |
| Current ratio (x)               | 1.7          | 2.3          | 2.6          | 2.4          | 2.4          | 2.6          |
| Net debt / equity               | 82%          | 47%          | 40%          | 44%          | 44%          | 40%          |
| Interest coverage ratio (x)     | 7.5          | 2.3          | 6.0          | 8.2          | 9.5          | 10.6         |
| Equity / Assets                 | 41.8%        | 58.2%        | 62.8%        | 59.9%        | 60.0%        | 61.9%        |
| Tangible Equity / Assets        | 41.6%        | 58.0%        | 62.7%        | 59.8%        | 59.9%        | 61.7%        |
| <b>Asset yields</b>             | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> | <b>2022E</b> |
| Margin loans (net)              | 6.9%         | 6.6%         | 3.0%         | 3.0%         | 5.0%         | 5.0%         |
| FVPL realized                   | 31.4%        | 22.8%        | 9.0%         | 20.0%        | 25.0%        | 20.0%        |
| FVPL revaluation                | 4.5%         | -2.6%        | 4.0%         | 2.0%         | 2.0%         | 2.0%         |
| Dividends / Interest on FVPL    | 10.3%        | 12.3%        | 12.5%        | 12.5%        | 12.5%        | 12.5%        |
| Total trading book              | 29.1%        | 23.7%        | 16.7%        | 25.7%        | 30.7%        | 25.7%        |
| Fee income / Assets             | 0.7%         | 1.6%         | 0.8%         | 1.0%         | 1.3%         | 1.5%         |
| <b>Profitability</b>            | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> | <b>2022E</b> |
| Brokerage GPM                   | 52.6%        | 45.4%        | 33.5%        | 33.1%        | 32.8%        | 32.4%        |
| Margin lending GPM              | 69.3%        | 89.9%        | 36.8%        | 36.0%        | 46.2%        | 47.0%        |
| Brokerage / net op inc          | 38.0%        | 30.6%        | 29.6%        | 26.8%        | 22.5%        | 26.7%        |
| Margin / net op inc             | 36.5%        | 41.8%        | 33.1%        | 30.7%        | 40.1%        | 43.0%        |
| Fees / net op inc               | 4.3%         | 8.5%         | 9.2%         | 10.1%        | 9.6%         | 9.4%         |
| Investments / net op inc        | 20.4%        | 18.1%        | 26.3%        | 31.0%        | 26.9%        | 20.0%        |
| Staff comp ratio                | 19.1%        | 16.3%        | 21.0%        | 22.0%        | 23.0%        | 24.0%        |
| Bonus & welfare / NPAT          | 11.5%        | 8.2%         | 8.2%         | 8.2%         | 8.2%         | 8.2%         |
| Adj ROA                         | 10.8%        | 11.3%        | 6.4%         | 7.7%         | 11.5%        | 14.2%        |
| Adj ROE                         | 19.0%        | 21.4%        | 9.8%         | 11.5%        | 17.7%        | 21.5%        |
| <b>Growth (YoY)</b>             | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> | <b>2022E</b> |
| Brokerage revenues              | 122.8%       | 8.7%         | -54.5%       | 23.5%        | 33.0%        | 52.0%        |
| Margin lending net revenues     | 6.9%         | 54.4%        | -62.8%       | 27.0%        | 106.5%       | 37.3%        |
| Investment revenues             | 194.3%       | 19.8%        | -31.6%       | 61.1%        | 37.3%        | -4.8%        |
| Fee income                      | 147.4%       | 166.2%       | -49.1%       | 50.0%        | 50.0%        | 25.0%        |
| Net operating revenues          | 73.0%        | 34.8%        | -53.0%       | 36.7%        | 58.3%        | 27.8%        |
| SG&A expenses                   | 33.7%        | 47.5%        | 16.3%        | 14.1%        | 14.6%        | 7.1%         |
| Operating profit                | 82.2%        | 32.6%        | -66.3%       | 51.7%        | 80.2%        | 34.4%        |
| Reported PATMI                  | 81.9%        | 21.9%        | -42.0%       | 44.5%        | 70.0%        | 38.4%        |
| Adjusted PATMI                  | 81.9%        | 26.5%        | -42.0%       | 44.5%        | 70.0%        | 38.4%        |
| Reported EPS                    | 79.1%        | 21.6%        | -75.4%       | 44.5%        | 70.0%        | 38.4%        |
| Adjusted EPS                    | 79.1%        | 26.1%        | -75.4%       | 44.5%        | 70.0%        | 38.4%        |
| Avg margin loans                | 24.6%        | 21.5%        | 15.0%        | 30.0%        | 35.0%        | 35.0%        |
| FVPL assets                     | 180.9%       | -1.0%        | -5.0%        | 15.0%        | 15.0%        | 12.5%        |
| AFS assets                      | -            | -            | -            | -            | -            | -            |
| Short-term HTM assets           | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
| Total current assets            | 87.3%        | -22.1%       | 33.0%        | 13.2%        | 13.3%        | 11.3%        |
| Total assets                    | 84.7%        | -21.3%       | 32.1%        | 13.0%        | 13.1%        | 11.2%        |
| Attributable equity             | 16.0%        | 9.6%         | 42.8%        | 7.8%         | 13.3%        | 14.7%        |
| BVPS                            | 14.5%        | 9.7%         | -39.6%       | 7.8%         | 13.3%        | 14.7%        |

Source: Company data, Yuanta Vietnam

**Vietnam: Brokers**
**12 December 2019**
**SSI VN**
**BUY**
**TP upside (downside) +31%**
**Close 10 Dec 2019**

|                 |            |
|-----------------|------------|
| Price           | VND 22,800 |
| 12M Target      | VND 29,931 |
| Previous Target | VND 36,200 |
| Target Change   | -17%       |

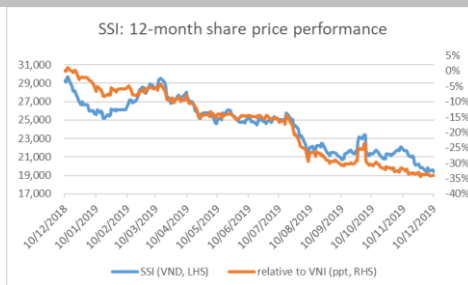
**Company profile:** SSI is the largest domestic securities company by brokerage market share. The company's capital raising might be followed by a push to recover its No.1 status in margin lending next year, but this may come at the cost of reduced overall profitability given the funding advantages of the foreign players. SSI is a member of the VN30 index and it is the sector's largest stock by market cap and liquidity, making it the most "investable" of the brokers from a technical standpoint.

**What's new?**

- ▶ **Capital raising could presage** a renewed chase for market share.
- ▶ **Margin lending spreads may take a beating** given the funding cost advantages of foreign players.
- ▶ **EPS forecasts cut** by -14% for 2019E and -45% for 2020E.

**Our view**

- ▶ **Investability matters...** SSI's market cap and trading liquidity are the sector's highest.
- ▶ **... but so do fundamentals.** Our preference is for profitability over market share.
- ▶ **We upgrade to HOLD–Outperform** anyway, largely given the low valuations and ahead of a probable 1Q20E market rally.


**Saigon Securities (SSI VN)**
**Proxy on a probable market rally in 1Q20**

SSI's share price has substantially derated in 2019, underperforming the VNI by 34% YoY (i.e., the worst performance of our brokerage universe). This could be attributable to its relatively low profitability, but it is undoubtedly also a function of retail investor sentiment as its No. 1 market share position comes under pressure. In any case, we think that the derating is overdone. We thus upgrade SSI to HOLD–Outperform.

**Valuation appears to be reasonable.** The stock now trades at 1.1x 2020E P/BV and 10.5x 2020E PER. This is perhaps not incredibly cheap for a relatively low–ROE broker that is raising capital in an environment of intense competition fueled by well financed competitors. However, we think it is cheap enough in light of a probable market rally in 1Q20E. SSI's share price exhibits very strong correlation with the VNI (84%) and market ADT (83%).

**Downward earnings revisions.** We cut our EPS by 14% for 2019E in line with the YTD performance, while slashing our 2020E–21E by 40–45% after dialing down our market assumptions. SSI appears particularly prone to market competition given that its gross and net brokerage commission rates are the lowest in our coverage. The company posted negative net brokerage fees in 2Q19, which reverted to positive territory in 3Q19.

**We upgrade SSI to HOLD–Outperform.** We reduce our target price to VND 23,525, but even so this still implies 12–m TSR of 11.3% assuming our dividend payout assumptions hold. As such, we cannot continue to justify the previous HOLD–Underperform recommendation. This is largely a valuation call, but the stock is also the most investable brokerage (from the perspective of share liquidity and market capitalization) and it could rally in 1Q20 as market sentiment takes at least a short–term turn for the better.

|                               |                 |
|-------------------------------|-----------------|
| <b>Market cap</b>             | <b>US\$428m</b> |
| <b>6M avg. daily turnover</b> | <b>US\$1.4m</b> |
| <b>Outstanding shares</b>     | <b>508m</b>     |
| <b>Free float</b>             | <b>65%</b>      |
| <b>FINI ownership</b>         | <b>56%</b>      |
| <b>Major shareholders</b>     | <b>35%</b>      |
| <b>Net debt/equity</b>        | <b>148%</b>     |
| <b>2020E EV/EBITDA</b>        | <b>2.6x</b>     |
| <b>2020E P/B</b>              | <b>1.1x</b>     |
| <b>Trading platform</b>       | <b>HOSE</b>     |
| <b>FOL Room</b>               | <b>nmf*</b>     |

\*Note: SSI has no foreign ownership limit

| Key metrics                   | 2018A | 2019E  | 2020E |
|-------------------------------|-------|--------|-------|
| Operating income growth (YoY) | 12%   | -3%    | 25%   |
| Adj PATMI growth (%)          | 12%   | -29%   | 22%   |
| Current ratio (x)             | 1.7   | 1.7    | 1.8   |
| Debt/Equity (x)               | 1.3   | 1.4    | 1.6   |
| ROA (x)                       | 5.7%  | 3.2%   | 3.4%  |
| ROE (x)                       | 13.9% | 9.3%   | 10.7% |
| Adj EPS (VND/share)           | 2,277 | 1,701  | 2,067 |
| EPS growth (%)                | 3.1%  | -25.3% | 21.6% |
| PE (x)                        | 12.8  | 10.5   | 8.9   |
| PB (x)                        | 1.2   | 1.2    | 1.1   |
| Dividend yield                | 4.6%  | 4.4%   | 3.1%  |

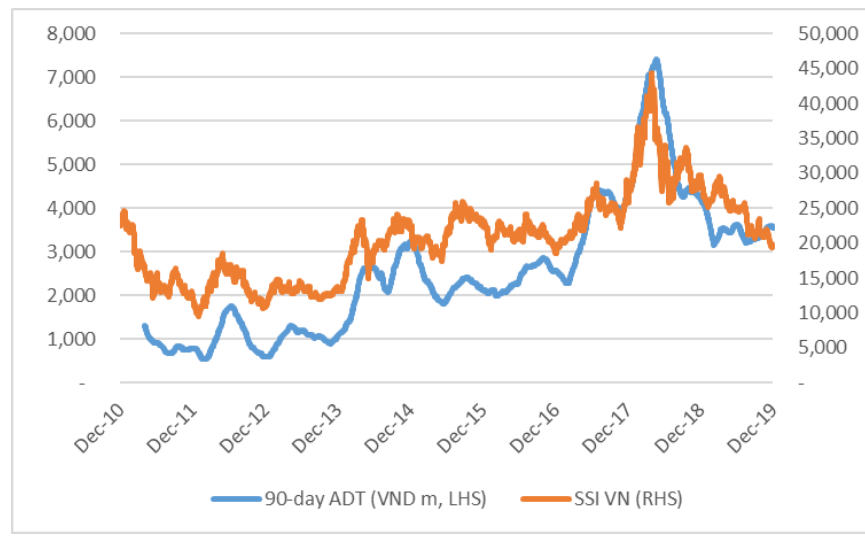
Source: Bloomberg, Company data, Yuanta Securities

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**ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.**

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## Share price correlation with ADT: 83%



Source: Bloomberg, Yuanta Vietnam

**We slash our EPS forecasts** by 14% for 2019E, 45% for 2020E, and 40% for 2021E. This is the result of a combination of marking down our forecasts in line with the company's YTD performance, reduced assumptions for the major market-related metrics that drive our model (e.g., turnover and IB business in 2019-20E), and cuts to our brokerage profitability forecasts in light of the intensity of competition in the industry.

## Earnings and target price revisions

|                     | 2019E    |        |       | 2020E    |       |       | 2021E    |       |       |
|---------------------|----------|--------|-------|----------|-------|-------|----------|-------|-------|
|                     | Previous | New    | % chg | Previous | New   | % chg | Previous | New   | % chg |
| Net income (VND bn) | 1,339    | 1,214  | -9%   | 1,519    | 864   | -43%  | 1,716    | 1,050 | -39%  |
| EPS (VND)           | 2,620    | 2,277  | -14%  | 3,010    | 1,701 | -45%  | 3,402    | 2,067 | -40%  |
| Target price (VND)  | 26,125   | 23,525 | -10%  |          |       |       |          |       |       |

Source: Yuanta Securities

## Quarterly earnings summary

| SSI                         | 3Q19       |             | YoY        | QoQ        | 9M19        |            | vs our full-year target |
|-----------------------------|------------|-------------|------------|------------|-------------|------------|-------------------------|
|                             | (VND bn)   |             |            |            | (VND bn)    |            |                         |
| Gross brokerage income      | 148        | -33%        | 13%        | 433        | -54%        | 72%        |                         |
| Net brokerage income        | 19         | -74%        | -543%      | 37         | -88%        | 72%        |                         |
| Service fees                | 27         | -61%        | 785%       | 38         | -55%        | 75%        |                         |
| Gross margin income         | 180        | 15%         | 1%         | 515        | -4%         | 72%        |                         |
| Prop trading                | 77         | -41%        | -39%       | 180        | 63%         | 77%        |                         |
| Gains from HTM assets       | 13         | -23%        | -57%       | 44         | -40%        | 71%        |                         |
| <b>Net operating income</b> | <b>269</b> | <b>40%</b>  | <b>6%</b>  | <b>738</b> | <b>47%</b>  | <b>78%</b> |                         |
| PBT                         | 506        | -12%        | 13%        | 1,347      | -9%         | 79%        |                         |
| <b>Reported PATMI</b>       | <b>332</b> | <b>-29%</b> | <b>26%</b> | <b>843</b> | <b>-38%</b> | <b>80%</b> |                         |

Source: FiinPro

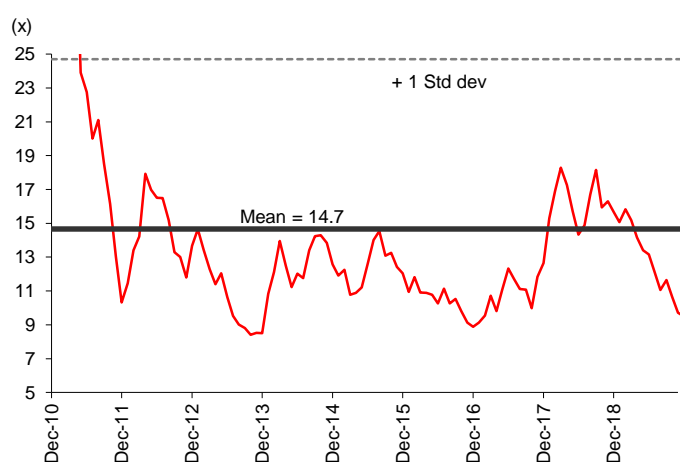
**Valuations.** Our target price is based on the median of four fair value methodologies and implies 11.4x 2020E P/E and 1.3x 2019E P/BV. This valuation appears reasonable (i.e., not stretched) for a capital markets-facing business with a dominant position in both retail and institutional broking. However, we might feel greater confidence if the company were more focused on boosting shareholder

returns (ROA and ROE). Also, achieving our reduced forecasts would require continued growth in market activity in 2020-21E, so this is clearly a relatively high risk trade that may not appeal to investors in December 2019. However, it may start to make sense if the market rallies in 1Q20 around the Tet holidays. SSI's shares currently trade at 1.1x 2020E P/BV and 8.9x adjusted 2020E PER. In the absence of guidance on a dividend policy, we are assuming a 40% dividend payout ratio on 2020E earnings, which translates into a 3.1% dividend yield.

| <b>Price multiples: SSI</b> |              |              |              |              |              |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>(x)</b>                  | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> | <b>2022E</b> |
| Reported P/E                | 12.1         | 10.0         | 8.4          | 8.2          | 7.3          |
| Adjusted P/E                | 11.3         | 9.3          | 7.8          | 7.6          | 6.8          |
| Reported P/B                | 1.1          | 1.0          | 1.0          | 0.9          | 0.8          |
| Tangible P/B                | 1.1          | 1.0          | 1.0          | 0.9          | 0.8          |
| EV / EBITDA                 | 2.2          | 2.6          | 2.1          | 1.8          | 1.7          |
| Dividend Yield              | 5.2%         | 5.0%         | 3.5%         | 4.3%         | 5.1%         |

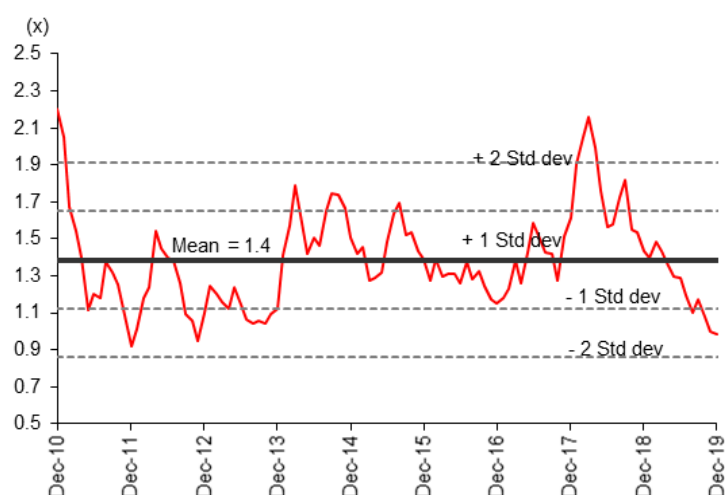
Source: Company data, Yuanta Securities

**SSI VN: Historical 12-month forward P/E band**



Source: Company data, Bloomberg, Yuanta Vietnam

**SSI VN: Historical 12-month forward P/B band**



Source: Company data, Bloomberg, Yuanta Vietnam

## Summary: Valuations

|                          | <b>VND per share / downside d 2019E PB (x) Implied 2020E</b> |              |            |             |
|--------------------------|--|--------------|------------|-------------|
| Current price            | 19,200   |              | 1.0        | 9.3         |
| DCF valuation            | 27,360   | 42.5%        | 1.5        | 13.2        |
| Gordon growth valuation  | 23,927   | 24.6%        | 1.3        | 11.6        |
| DDM                      | 18,700   | -2.6%        | 1.0        | 9.0         |
| SoTP                     | 23,123   | 20.4%        | 1.2        | 11.2        |
| Mean fair value          | 23,278   | 21.2%        | 1.3        | 11.3        |
| <b>Median fair value</b> | <b>23,525</b>  | <b>22.5%</b> | <b>1.3</b> | <b>11.4</b> |

Source: Company data, Yuanta Vietnam

| <b>Income Statement: SSI</b>     |              |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>(VND bn)</b>                  | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
| Brokerage net revenues           | 264          | 358          | 52           | 59           | 77           |
| Margin lending net revenues      | 331          | 427          | 403          | 511          | 669          |
| Gains on trading assets          | 136          | (62)         | 232          | 280          | 415          |
| Gains on AFS & HTM assets        | 709          | 925          | 1,002        | 1,247        | 1,391        |
| Other investment                 | 85           | 46           | 0            | (9)          | (11)         |
| <b>Total investment revenues</b> | <b>929</b>   | <b>908</b>   | <b>1,234</b> | <b>1,519</b> | <b>1,796</b> |
| Net fee income                   | 51           | 75           | 50           | 55           | 61           |
| Other operating net revenues     | (8)          | (24)         | (26)         | (29)         | (32)         |
| <b>Net operating revenues</b>    | <b>1,566</b> | <b>1,744</b> | <b>1,713</b> | <b>2,115</b> | <b>2,571</b> |
| SG&A expenses                    | (168)        | (174)        | (192)        | (216)        | (241)        |
| <b>Operating profit</b>          | <b>1,398</b> | <b>1,571</b> | <b>1,521</b> | <b>1,899</b> | <b>2,330</b> |
| Associates                       | 106          | 239          | 46           | 76           | 57           |
| Non-operating revenues           | 50           | 73           | 30           | 32           | 33           |
| Interest expense                 | (149)        | (259)        | (540)        | (702)        | (872)        |
| <b>Pretax profit</b>             | <b>1,405</b> | <b>1,623</b> | <b>1,057</b> | <b>1,305</b> | <b>1,548</b> |
| Tax                              | (244)        | (320)        | (196)        | (257)        | (305)        |
| Minorities                       | 1            | 2            | 2            | 2            | 2            |
| <b>Reported PATMI</b>            | <b>1,162</b> | <b>1,305</b> | <b>864</b>   | <b>1,050</b> | <b>1,245</b> |
| PATMI plus OCI                   | 1,082        | 1,214        | 804          | 977          | 1,158        |
| <b>Adjusted PATMI</b>            | <b>1,082</b> | <b>1,214</b> | <b>864</b>   | <b>1,050</b> | <b>1,245</b> |
| Reported EPS (VND)               | 2,208        | 2,428        | 1,581        | 1,922        | 2,279        |
| <b>Adjusted EPS (VND)</b>        | <b>2,208</b> | <b>2,277</b> | <b>1,701</b> | <b>2,067</b> | <b>2,451</b> |

Source: Company data, Yuanta Securities

| <b>Balance Sheet: SSI</b>    |               |               |               |               |               |
|------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>(VND bn)</b>              | <b>2017A</b>  | <b>2018A</b>  | <b>2019E</b>  | <b>2020E</b>  | <b>2021E</b>  |
| Cash & equivalents           | 346           | 613           | 625           | 656           | 683           |
| Net margin loans             | 5,741         | 5,937         | 6,828         | 8,193         | 9,115         |
| FVPL assets                  | 1,431         | 2,040         | 2,142         | 2,249         | 2,362         |
| AFS assets                   | 1,535         | 1,265         | 1,202         | 1,298         | 1,389         |
| S/T HTM assets               | 7,882         | 12,326        | 14,175        | 17,010        | 18,924        |
| Other current assets         | 293           | 89            | 93            | 96            | 100           |
| <b>Current assets</b>        | <b>17,228</b> | <b>22,270</b> | <b>25,064</b> | <b>29,503</b> | <b>32,572</b> |
| L/T HTM assets               | 130           | 302           | 347           | 416           | 463           |
| Associates                   | 813           | 764           | 764           | 764           | 764           |
| Other L/T assets             | 593           | 489           | 503           | 514           | 525           |
| <b>Total L-T assets</b>      | <b>1,536</b>  | <b>1,555</b>  | <b>1,615</b>  | <b>1,694</b>  | <b>1,752</b>  |
| <b>Total assets</b>          | <b>18,764</b> | <b>23,826</b> | <b>26,679</b> | <b>31,197</b> | <b>34,324</b> |
| S/T borrowings               | 8,504         | 11,193        | 11,977        | 13,234        | 14,458        |
| S/T bonds                    | 200           | 255           | 357           | 518           | 621           |
| Other S/T liabilities        | 651           | 2,021         | 2,314         | 3,056         | 3,421         |
| <b>Current liabilities</b>   | <b>9,354</b>  | <b>13,469</b> | <b>14,648</b> | <b>16,808</b> | <b>18,501</b> |
| Long-term bonds              | 569           | 1,068         | 2,350         | 3,996         | 4,595         |
| Other L/T liabilities        | 225           | 132           | 145           | 152           | 160           |
| <b>Long-term liabilities</b> | <b>794</b>    | <b>1,201</b>  | <b>2,495</b>  | <b>4,148</b>  | <b>4,755</b>  |
| Shareholder equity           | 5,028         | 5,235         | 5,235         | 5,235         | 5,235         |
| Reserves                     | 1,297         | 1,058         | 1,058         | 1,058         | 1,058         |
| Retained earnings            | 2,213         | 2,795         | 3,174         | 3,878         | 4,704         |
| Minority interests           | 78            | 67            | 68            | 70            | 71            |
| Total equity                 | 8,616         | 9,156         | 9,536         | 10,242        | 11,068        |
| <b>Attributable equity</b>   | <b>8,538</b>  | <b>9,089</b>  | <b>9,467</b>  | <b>10,172</b> | <b>10,997</b> |
| BVPS (VND)                   | 17,081        | 17,850        | 18,594        | 19,978        | 21,598        |

Source: Company data, Yuanta Securities

## Select ratios: SSI

| <b>Liquidity &amp; leverage</b> | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| Current ratio                   | 1.8          | 1.7          | 1.7          | 1.8          | 1.8          |
| Net debt / equity               | 1.01         | 1.27         | 1.44         | 1.62         | 1.66         |
| Interest coverage ratio         | 3.4          | 2.2          | 2.2          | 2.2          | 2.2          |
| Equity / Assets                 | 45.9%        | 38.4%        | 35.7%        | 32.8%        | 32.2%        |
| Tangible Equity / Assets        | 45.5%        | 38.3%        | 35.7%        | 32.7%        | 32.2%        |
| <b>Asset yields</b>             | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
| Margin loans (net)              | 7.8%         | 7.7%         | 6.5%         | 6.5%         | 7.5%         |
| FVPL realized                   | 6.7%         | 11.4%        | 9.1%         | 10.3%        | 10.0%        |
| FVPL revaluation                | 2.4%         | -15.0%       | 2.0%         | 2.5%         | 8.0%         |
| AFS securities                  | 16.5%        | 15.0%        | 5.0%         | 12.5%        | 10.0%        |
| S/T HTM securities              | 6.8%         | 6.9%         | 7.1%         | 7.0%         | 7.0%         |
| Associates                      | 13.9%        | 30.3%        | 6.0%         | 10.0%        | 7.5%         |
| <b>Profitability</b>            | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
| Brokerage GPM                   | 33.9%        | 31.7%        | 8.6%         | 7.9%         | 7.8%         |
| Margin lending GPM              | 63.6%        | 60.0%        | 56.5%        | 59.7%        | 65.2%        |
| Brokerage / net op inc          | 16.9%        | 20.5%        | 3.0%         | 2.8%         | 3.0%         |
| Margin / net op inc             | 21.1%        | 24.5%        | 23.5%        | 24.1%        | 26.0%        |
| Fees / net op inc               | 3.2%         | 4.3%         | 2.9%         | 2.6%         | 2.4%         |
| Investments / net op inc        | 59.3%        | 52.1%        | 72.1%        | 71.8%        | 69.8%        |
| Staff comp ratio                | 12.9%        | 13.1%        | 13.0%        | 13.0%        | 13.0%        |
| ROA                             | 6.6%         | 5.7%         | 3.2%         | 3.4%         | 3.5%         |
| ROE                             | 13.4%        | 13.9%        | 9.3%         | 10.7%        | 11.8%        |
| <b>Growth (YoY)</b>             | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
| Brokerage revenues              | 236.1%       | 35.7%        | -85.6%       | 13.8%        | 30.0%        |
| Margin lending net revenues     | 32.2%        | 29.1%        | -5.6%        | 26.8%        | 31.0%        |
| Investment revenues             | 9.4%         | -2.2%        | 35.9%        | 23.1%        | 18.2%        |
| Fee income                      | -46.8%       | 47.5%        | -32.5%       | 10.2%        | 10.1%        |
| Net operating revenues          | 20.0%        | 11.4%        | -1.8%        | 23.5%        | 21.5%        |
| SG&A expenses                   | 19.5%        | 3.4%         | 10.4%        | 12.5%        | 11.7%        |
| Operating profit                | 20.0%        | 12.3%        | -3.1%        | 24.9%        | 22.7%        |
| Reported PATMI                  | 22.7%        | 12.3%        | -33.8%       | 21.6%        | 18.5%        |
| Adjusted PATMI                  | 22.2%        | 12.1%        | -28.8%       | 21.6%        | 18.5%        |
| Reported EPS                    | 20.7%        | 9.9%         | -34.9%       | 21.6%        | 18.5%        |
| Adjusted EPS                    | 19.8%        | 3.1%         | -25.3%       | 21.6%        | 18.5%        |
| Avg margin loans                | 26.0%        | 35.7%        | 10.0%        | 20.0%        | 15.0%        |
| FVPL assets                     | -7.6%        | 42.5%        | 5.0%         | 5.0%         | 5.0%         |
| AFS assets                      | -5.0%        | -17.6%       | -5.0%        | 8.0%         | 7.0%         |
| Short-term HTM assets           | 50.3%        | 56.4%        | 15.0%        | 20.0%        | 11.3%        |
| Total current assets            | 36.0%        | 29.3%        | 12.5%        | 17.7%        | 10.4%        |
| Total assets                    | 34.0%        | 27.0%        | 12.0%        | 16.9%        | 10.0%        |
| Attributable equity             | 9.1%         | 7.7%         | 4.2%         | 7.5%         | 8.1%         |
| BVPS                            | 6.9%         | 4.5%         | 4.2%         | 7.4%         | 8.1%         |

Source: Company data, Yuanta Securities

**Vietnam: Brokers**
**12 December 2019**
**VCI VN**
**HOLD-Underperform**
**TP upside +2.0%**
**Close 10 Dec 2019**

|                 |            |
|-----------------|------------|
| Price           | VND 31,800 |
| 12M Target      | VND 32,437 |
| Previous Target | VND 43,850 |
| Target Change   | -26%       |

**What's new?**

- ▶ **Downgrade to HOLD-U/P** in light of the distant catalysts for a re-rating.
- ▶ **EPS forecasts cut** by -15% for 2019E and -44%/-46% for 2020/21E.
- ▶ **The stock may rally in line with the market in 1Q20**, but HCM and SSI are superior market proxies given their higher trading liquidity.

**Our view**

- ▶ **Investment banking** should provide insulation from retail broking competition, in theory. But the 2020 outlook is hazy.
- ▶ **Technical factors are not attractive.** The stock's low liquidity could be a hurdle to renewed institutional interest.
- ▶ **Possible catalysts** include a resurgence of IPO activity, but probably not until 2021.

**Company profile:** VCI is a market leader in Vietnamese investment banking and institutional brokerage. Following a sharp derating since the 1Q18 peak, the shares now trade at the lowest P/E multiples in our Vietnam brokers universe. However, the stock also has the lowest daily trading liquidity in our coverage, and this could be a reason for the valuation discount.

**Viet Capital Securities (VCI VN)**
**Cheap, but upside catalysts are distant**

VCI's share price has underperformed the market, falling 17% since our Feb 13 initiation titled—with misplaced confidence—"The Derating is Overdone". VCI is optically cheap given its sector-high ROEs, but we think the upside catalyst of resurgent dealflow is distant. Retail investor sentiment for the name appears to be weak, and VCI's extremely low trading liquidity of c. \$100K per day could curtail interest among institutional investors, who currently hold about US\$86m of the stock.

VCI's leading position in investment banking should provide insulation from the heated competition in pure retail broking. However, we do not anticipate a resurgence of dealflow in 2020. For a variety of reasons, the ECM/DCM outlook for 2021 appears much brighter in our opinion, suggesting a potential turnaround of investment banking revenues two years hence. However, we think it is far too early to position for this now.

**Valuation is optically cheap.** The stock now trades at 1.3x 2020E P/BV and 7.2x 2020E PER. This is cheap for a relatively high-ROE broker with a market-leading investment banking franchise.

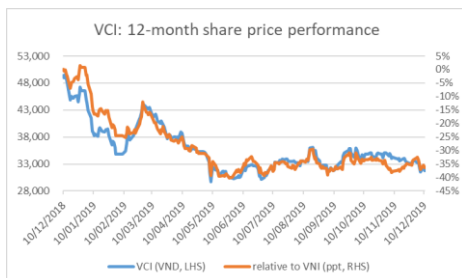
**Forecast revisions.** We slash our EPS forecasts by 14% for 2019E and by 44.46% for 2020-21E after reducing our previously overly bullish assumptions for market factors and investment banking fees.

**We downgrade VCI to HOLD-Underperform.** We reduce our target price to VND 32,437, implying 12-m TSR of 5.0% (assuming our dividend payout assumptions hold) and 8.9x 2020E PE.

**VCI could stage a short-term rally along with the market in 1Q20**, but given the weak IPO outlook and the stock's dwindling daily liquidity, we would suggest HCM or even SSI as superior trading proxies on a potential New Year market rebound. Investors who hold large positions in VCI are advised to wait for the IPO pipeline to begin flowing again.

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|                               |                  |
|-------------------------------|------------------|
| <b>Market cap</b>             | <b>US\$230m</b>  |
| <b>6M avg. daily turnover</b> | <b>US\$ 101K</b> |
| <b>Outstanding shares</b>     | <b>164m</b>      |
| <b>Free float</b>             | <b>62%</b>       |
| <b>FINI ownership</b>         | <b>37%</b>       |
| <b>Major shareholders</b>     | <b>28%</b>       |
| <b>Net debt/equity</b>        | <b>31%</b>       |
| <b>2020E EV/EBITDA</b>        | <b>3.3x</b>      |
| <b>2020E P/B</b>              | <b>1.2x</b>      |
| <b>Trading platform</b>       | <b>HOSE</b>      |
| <b>FOL Room</b>               | <b>nmf*</b>      |

\*Note: VCI has no foreign ownership limit

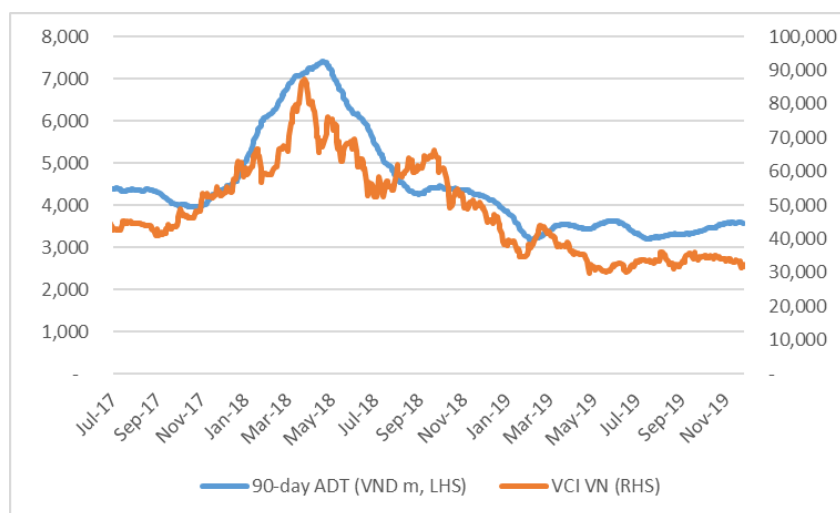
| Key metrics                   | 2018P | 2019E  | 2020E |
|-------------------------------|-------|--------|-------|
| Operating income growth (YoY) | 26%   | -22%   | -1%   |
| Adj PATMI growth (%)          | 26%   | -24%   | -4%   |
| Current ratio (x)             | 2.3   | 3.0    | 2.8   |
| Debt/Equity (x)               | 0.0   | 0.1    | 0.1   |
| ROA (x)                       | 12.7% | 8.6%   | 7.0%  |
| ROE (x)                       | 24.3% | 16.0%  | 13.9% |
| Adj EPS (VND/share)           | 5,719 | 3,779  | 3,636 |
| EPS growth (%)                | -1.2% | -33.9% | -3.8% |
| PE (x)                        | 8.4   | 8.7    | 7.3   |
| PB (x)                        | 1.4   | 1.3    | 1.2   |
| Dividend yield                | 2.7%  | 3.9%   | 3.0%  |

Source: Bloomberg, Company data, Yuanta Securities

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**Bloomberg code: YUTA**

## Share price correlation with ADT: 84%



Source: Bloomberg, Yuanta Vietnam

**We slash our EPS forecasts** by 15% for 2019E, 44% for 2020E, and 46% for 2021E. This is the result of a combination of marking down our forecasts in line with the company's YTD performance, reduced assumptions for the major market-related metrics that drive our model (e.g., turnover and IB business in 2019-20E), and cuts to our brokerage profitability forecasts in light of the intensity of competition in the industry.

## Earnings and target price revisions

|                     | 2019E    |        |       | 2020E    |       |       | 2021E    |       |       |
|---------------------|----------|--------|-------|----------|-------|-------|----------|-------|-------|
|                     | Previous | New    | % chg | Previous | New   | % chg | Previous | New   | % chg |
| Net income (VND bn) | 569      | 616    | 8%    | 831      | 593   | -29%  | 1011     | 706   | -30%  |
| EPS (VND)           | 4,394    | 3,779  | -15%  | 6,415    | 3,636 | -44%  | 7,805    | 4,331 | -46%  |
| Target price (VND)  | 43,850   | 32,437 | -26%  |          |       |       |          |       |       |

Source: Yuanta Securities

## Quarterly earnings summary

| VCI                         | 3Q19       |             | YoY        | 9M19       |             | YoY        | vs our full-year target |
|-----------------------------|------------|-------------|------------|------------|-------------|------------|-------------------------|
|                             | (VND bn)   | YoY         |            | QoQ        | (VND bn)    |            |                         |
| Gross brokerage income      | 137        | -18%        | 14%        | 346        | -57%        | 79%        |                         |
| Net brokerage income        | 80         | -18%        | 63%        | 151        | -74%        | 68%        |                         |
| Service fees                | 1          | -447%       | -90%       | 14         | 551%        | 89%        |                         |
| Gross margin income         | 91         | -5%         | 17%        | 239        | -16%        | 71%        |                         |
| Prop trading                | 68         | -32%        | -64%       | 314        | -100%       | 76%        |                         |
| Gains from HTM assets       | 6          | <i>nmf</i>  | <i>nmf</i> | 8          | <i>nmf</i>  | <i>nmf</i> |                         |
| <b>Net operating income</b> | <b>222</b> | <b>-12%</b> | <b>15%</b> | <b>686</b> | <b>-32%</b> | <b>73%</b> |                         |
| PBT                         | 185        | -8%         | 8%         | 605        | -29%        | 78%        |                         |
| <b>Reported PATMI</b>       | <b>150</b> | <b>-6%</b>  | <b>8%</b>  | <b>493</b> | <b>-29%</b> | <b>79%</b> |                         |

Source: FiinPro

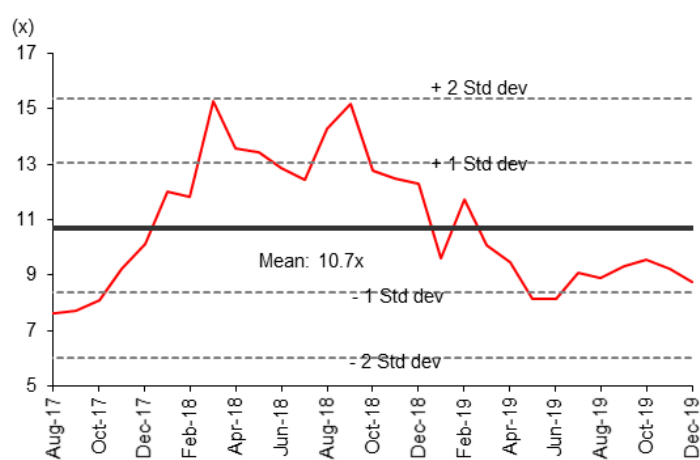
**Valuations.** Our target price is based on the median of four fair value methodologies and implies 8.9x 2020E P/E and 1.3x 2019E P/BV. This is optically cheap given the company's sector-high ROEs and dominant position in institutional broking and investment banking. However, we think the upside catalysts for operations and sentiment are not likely to emerge until 2021 and the stock's low liquidity merits a discount. As with all the brokers, achieving our reduced forecasts would require continued growth in market activity in 2020-21E.

VCI's shares currently trade at 1.2x 2020E P/BV and 8.7x adjusted 2020E PER. In the absence of guidance on a dividend policy, we are assuming a 25% dividend payout ratio on 2020E earnings, which translates into a 3.0% dividend yield.

| Price multiples: VCI |       |       |       |       |       |       |
|----------------------|-------|-------|-------|-------|-------|-------|
| (x)                  | 2016A | 2017A | 2018A | 2019E | 2020E | 2021E |
| Reported P/E         | 8.3   | 5.5   | 5.5   | 8.3   | 8.6   | 7.2   |
| Adjusted P/E         | 8.3   | 5.6   | 5.6   | 8.4   | 8.7   | 7.3   |
| Reported P/B         | 2.7   | 1.3   | 1.4   | 1.3   | 1.2   | 1.0   |
| Tangible P/B         | 2.7   | 1.3   | 1.4   | 1.3   | 1.2   | 1.0   |
| EV / EBITDA          | 5.8   | 3.2   | 2.5   | 3.4   | 3.3   | 2.8   |
| Dividend Yield       | 2.8%  | 1.8%  | 2.7%  | 3.9%  | 3.0%  | 2.9%  |

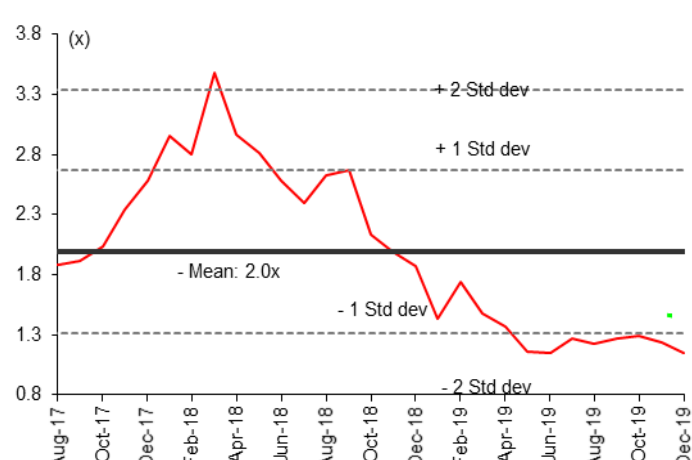
Source: Company data, Yuanta Vietnam

#### VCI VN: Historical 12-month forward P/E band



Source: Company data, Bloomberg, Yuanta Vietnam

#### VCI VN: Historical 12-month forward P/B band



Source: Company data, Bloomberg, Yuanta Vietnam

### Valuation Summary: VCI

|                          | VND per share / downside d 2019E PB (x) Implied 2020E |             |            |            |
|--------------------------|---|-------------|------------|------------|
| Current price            | 31,800  |             | 1.3        | 8.7        |
| DCF valuation            | 35,441  | 11.5%       | 1.4        | 9.7        |
| Gordon growth valuation  | 29,689  | -6.6%       | 1.2        | 8.2        |
| DDM                      | 28,353  | -10.8%      | 1.1        | 7.8        |
| SoTP                     | 35,186  | 10.6%       | 1.4        | 9.7        |
| Mean fair value          | 32,167  | 1.2%        | 1.3        | 8.8        |
| <b>Median fair value</b> | <b>32,437</b>   | <b>2.0%</b> | <b>1.3</b> | <b>8.9</b> |

Source: Company data, Yuanta Vietnam

| <b>Income Statement: VCI</b>     |              |              |              |              |              |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>(VND bn)</b>                  | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
| Brokerage net revenues           | 217          | 700          | 222          | 268          | 340          |
| Margin lending net revenues      | 151          | 268          | 233          | 253          | 283          |
| Gains on trading assets          | 365          | 149          | 415          | 356          | 423          |
| Gains on AFS & HTM assets        | -            | -            | 10           | -            | -            |
| Other investment                 | 48           | 66           | 51           | 52           | 44           |
| <b>Total investment revenues</b> | <b>413</b>   | <b>215</b>   | <b>477</b>   | <b>408</b>   | <b>467</b>   |
| Net fee income                   | 210          | 10           | 16           | 20           | 23           |
| Other operating net revenues     | (13)         | (17)         | (4)          | (5)          | (5)          |
| <b>Net operating revenues</b>    | <b>978</b>   | <b>1,176</b> | <b>943</b>   | <b>944</b>   | <b>1,108</b> |
| SG&A expenses                    | (129)        | (106)        | (113)        | (122)        | (132)        |
| <b>Operating profit</b>          | <b>848</b>   | <b>1,070</b> | <b>830</b>   | <b>822</b>   | <b>976</b>   |
| Associates                       | 0            | 0            | 0            | 0            | 0            |
| Non-operating revenues           | 17           | 16           | 10           | 12           | 12           |
| Interest expense                 | (63)         | (75)         | (68)         | (88)         | (100)        |
| <b>Pretax profit</b>             | <b>803</b>   | <b>1,011</b> | <b>772</b>   | <b>745</b>   | <b>888</b>   |
| Tax                              | (148)        | (189)        | (144)        | (142)        | (169)        |
| Minorities                       | -            | -            | -            | -            | -            |
| <b>Reported PATMI</b>            | <b>655</b>   | <b>823</b>   | <b>628</b>   | <b>604</b>   | <b>719</b>   |
| PATMI plus OCI                   | 655          | 823          | 628          | 604          | 719          |
| <b>Adjusted PATMI</b>            | <b>643</b>   | <b>808</b>   | <b>616</b>   | <b>593</b>   | <b>706</b>   |
| Reported EPS (VND)               | 5,898        | 5,826        | 3,850        | 3,704        | 4,412        |
| <b>Adjusted EPS (VND)</b>        | <b>5,790</b> | <b>5,719</b> | <b>3,779</b> | <b>3,636</b> | <b>4,331</b> |

Source: Company data, Yuanta Securities

| <b>Balance sheet: VCI</b>    |              |              |              |              |               |
|------------------------------|--------------|--------------|--------------|--------------|---------------|
| <b>(VND bn)</b>              | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b>  |
| Cash & equivalents           | 487          | 1,144        | 1,430        | 1,573        | 1,699         |
| Net margin loans             | 3,433        | 2,789        | 3,124        | 3,561        | 4,024         |
| FVPL assets                  | 452          | 425          | 519          | 545          | 599           |
| AFS assets                   | 1,825        | 2,039        | 2,854        | 3,396        | 3,770         |
| S/T HTM assets               | -            | -            | -            | -            | -             |
| Other current assets         | 147          | 33           | 36           | 40           | 42            |
| <b>Current assets</b>        | <b>6,343</b> | <b>6,430</b> | <b>7,964</b> | <b>9,116</b> | <b>10,135</b> |
| L/T HTM assets               | -            | -            | -            | -            | -             |
| Associates                   | -            | -            | -            | -            | -             |
| Other L/T assets             | 59           | 80           | 87           | 92           | 96            |
| <b>Total L-T assets</b>      | <b>59</b>    | <b>80</b>    | <b>87</b>    | <b>92</b>    | <b>96</b>     |
| <b>Total assets</b>          | <b>6,402</b> | <b>6,510</b> | <b>8,051</b> | <b>9,208</b> | <b>10,231</b> |
| S/T borrowings               | 1,434        | 985          | 640          | 768          | 822           |
| S/T bonds                    | 906          | 1,335        | 1,536        | 1,843        | 1,972         |
| Other S/T liabilities        | 900          | 433          | 499          | 595          | 665           |
| <b>Current liabilities</b>   | <b>3,240</b> | <b>2,753</b> | <b>2,675</b> | <b>3,207</b> | <b>3,459</b>  |
| Long-term bonds              | -            | -            | 1,200        | 1,380        | 1,587         |
| Other L/T liabilities        | 142          | 114          | 119          | 125          | 132           |
| <b>Long-term liabilities</b> | <b>142</b>   | <b>114</b>   | <b>1,319</b> | <b>1,505</b> | <b>1,719</b>  |
| Shareholder equity           | 1,200        | 1,630        | 1,630        | 1,630        | 1,630         |
| Reserves                     | 1,193        | 1,148        | 1,148        | 1,148        | 1,148         |
| Retained earnings            | 626          | 865          | 1,279        | 1,718        | 2,276         |
| Minority interests           | -            | -            | -            | -            | -             |
| Total equity                 | 3,019        | 3,643        | 4,057        | 4,496        | 5,054         |
| <b>Attributable equity</b>   | <b>3,019</b> | <b>3,643</b> | <b>4,057</b> | <b>4,496</b> | <b>5,054</b>  |
| BVPS (VND)                   | 25,288       | 22,350       | 24,890       | 27,581       | 31,004        |

Source: Company data, Yuanta Securities

| <b>Income Statement: VCI</b>     |              |              |              |              |              |
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Source: Company data, Yuanta Securities

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| Shareholder equity           | 1,200        | 1,630        | 1,630        | 1,630        | 1,630         |
| Reserves                     | 1,193        | 1,148        | 1,148        | 1,148        | 1,148         |
| Retained earnings            | 626          | 865          | 1,279        | 1,718        | 2,276         |
| Minority interests           | -            | -            | -            | -            | -             |
| Total equity                 | 3,019        | 3,643        | 4,057        | 4,496        | 5,054         |
| <b>Attributable equity</b>   | <b>3,019</b> | <b>3,643</b> | <b>4,057</b> | <b>4,496</b> | <b>5,054</b>  |
| BVPS (VND)                   | 25,288       | 22,350       | 24,890       | 27,581       | 31,004        |

Source: Company data, Yuanta Securities

**Vietnam: Brokers**
**12 December 2019**
**VND VN**
**HOLD-Underperform**
**TP upside -4.8%**
**Close 10 Dec 2019**

|                 |            |
|-----------------|------------|
| Price           | VND 13,900 |
| 12M Target      | VND 13,231 |
| Previous Target | VND 20,872 |
| Target Change   | -37%       |

**What's new?**

- ▶ We downgrade to HOLD-U/P in light of the increasingly intense competition in retail broking.
- ▶ EPS forecasts cut by -27% for 2020 and -29% for 2021E.
- ▶ Fairly valued. VND's P/BV and PE multiples are low vs. peers but this is justified by low ROA/ROE and is

**Our view**

- ▶ Investment banking should provide insulation from retail broking competition, in theory. But the 2020 outlook is hazy.
- ▶ Technical factors are not attractive. The stock's low liquidity could be a hurdle to renewed institutional interest.
- ▶ Possible catalysts include a resurgence of IPO activity, but probably not until 2021.

**Company profile:** VND is the smallest of the brokers in our coverage by both market share and market cap, VND offers reasonable trading liquidity and a superior trading platform that should allow it to efficiently build market share among retail investors. However, the rapid rise of heavyweight retail brokerage competitors reduces the attractiveness of VND as an investment, in our view.

**VNDirect (VND VN)**
**Retail-focused business model under pressure**

We see VND as our universe's closest thing to a pure play on retail broking given its superior trading platform vs. peers. Based on our calculations, the company's brokerage fee and margin lending interest rates also have remained relatively strong. Operating leverage is a standout, presumably due to a higher RM/customer ratio than rivals such as SSI. These numbers also suggest a relatively diversified retail client base rather than a high concentration of clients. These are all positive inferences, although we can't verify them.

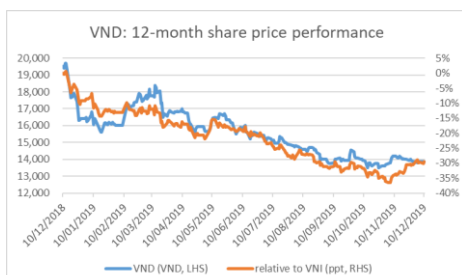
However, retail broking is the locus of increasing competition and VND could face pressure from well-funded foreign brokers with tech-savvy parent companies (i.e., the Korean houses). We think that this is one of the reasons for the YTD share price underperformance, and we see few catalysts for a rerating in the near term.

**Valuation is cheap, but in line with history.** The stock now trades at 0.9x 2019E P/BV and 8.9x 2020E PER, which are in line with VND's historical mean average valuations and are also appropriate for a low-double-digit ROE retail broker facing likely fee compression, in our opinion.

**Forecast revisions.** We slash our EPS forecasts by -27% for 2020E and by -29% for 2020-21E after reducing our previously overly bullish assumptions for market factors and investment banking fees.

**We downgrade VND to HOLD-Underperform.** We reduce our target price to VND 32,437, implying flat (i.e., -0.2%) 12-month total returns (assuming our dividend payout assumptions hold) and 8.5x 2020E PE.

**VND could stage a short-term rally along with the market in 1Q20,** but given the stock's retail-focused position in an increasingly tough competitive environment, we would suggest HCM or even SSI as superior trading proxies on a potential New Year market rally.



|                               |                 |
|-------------------------------|-----------------|
| <b>Market cap</b>             | <b>US\$124m</b> |
| <b>6M avg. daily turnover</b> | <b>US\$203K</b> |
| <b>Outstanding shares</b>     | <b>209m</b>     |
| <b>Free float</b>             | <b>90%</b>      |
| <b>FINI ownership</b>         | <b>40.5%</b>    |
| <b>Major shareholders</b>     | <b>40%</b>      |
| <b>Net debt/equity</b>        | <b>261%</b>     |
| <b>2020E EV/EBITDA</b>        | <b>3.3x</b>     |
| <b>2020E P/B</b>              | <b>1.2x</b>     |
| <b>Trading platform</b>       | <b>HOSE</b>     |
| <b>FOL Room</b>               | <b>8.5%</b>     |

| Key metrics                   | 2018A  | 2019E  | 2020E |
|-------------------------------|--------|--------|-------|
| Operating income growth (YoY) | 0%     | 8%     | 2%    |
| Adj PATMI growth (%)          | -21%   | -7%    | -2%   |
| Current ratio (x)             | 1.5    | 1.4    | 1.4   |
| Debt/Equity (x)               | 1.9    | 1.9    | 2.1   |
| ROA (x)                       | 4.0%   | 3.1%   | 2.7%  |
| ROE (x)                       | 13.1%  | 10.8%  | 10.0% |
| Adj EPS (VND/share)           | 1,827  | 1,555  | 1,558 |
| EPS growth (%)                | -22.4% | -14.9% | 0.2%  |
| PE (x)                        | 7.6    | 8.9    | 8.9   |
| PB (x)                        | 1.0    | 0.9    | 0.9   |
| Dividend yield                | 8.0%   | 4.3%   | 4.6%  |

Source: Bloomberg, Company data, Yuanta Vietnam

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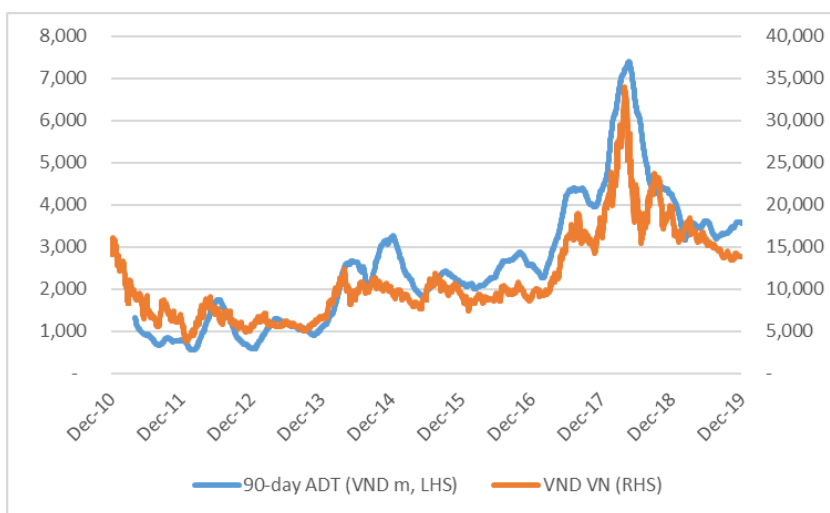
<http://yuanta.com.vn>

Bloomberg code: YUTA

**ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.**

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## Share price correlation with ADT: 83%



Source: Bloomberg, Yuanta Vietnam

**We slash our EPS forecasts** by -27% for 2020E and -29% for 2021E. This is the result of a combination of marking down our forecasts for the major market-related metrics that drive our model (e.g., turnover and IB business), and cuts to our brokerage profitability forecasts in light of the intensity of competition in the industry.

However, we have increased our forecast for VND's EPS in 2019E by 5% after factoring in the YTD performance, which is stronger than we had anticipated. As with all the brokers, the main risks to our view are related to unpredictable market factors (e.g., turnover, margin lending, and the degree of irrationality in the competitive environment). However, VND could also surprise on the upside by continuing to grow its market share of the retail wallet and by successfully growing its I/B business.

## Earnings and target price revisions

|                     | 2019E    |        |       | 2020E    |       |       | 2021E    |       |       |
|---------------------|----------|--------|-------|----------|-------|-------|----------|-------|-------|
|                     | Previous | New    | % chg | Previous | New   | % chg | Previous | New   | % chg |
| Net income (VND bn) | 307      | 331    | 8%    | 422      | 326   | -23%  | 517      | 390   | -25%  |
| EPS (VND)           | 1,471    | 1,555  | 5%    | 2,105    | 1,558 | -27%  | 2,582    | 1,865 | -29%  |
| Target price (VND)  | 36,200   | 29,931 | -17%  |          |       |       |          |       |       |

Source: Yuanta Vietnam

## Quarterly earnings summary

| VND                    | 3Q19<br>(VND bn) | YoY        | QoQ         | 9M19<br>(VND bn) | YoY         | vs our<br>full-year<br>target |
|------------------------|------------------|------------|-------------|------------------|-------------|-------------------------------|
| Gross brokerage income | 88               | -24%       | 14%         | 257              | -39%        | 84%                           |
| Net brokerage income   | 45               | -36%       | 29%         | 137              | -43%        | 85%                           |
| Service fees           | 9                | 54%        | -50%        | 32               | 312%        | 74%                           |
| Gross margin income    | 105              | 9%         | 1%          | 296              | -12%        | 62%                           |
| Prop trading           | 49               | 97%        | 21%         | 39               | 478%        | 75%                           |
| Gains from AFS assets  | 8                | <i>nmf</i> | <i>nmf</i>  | 23               | 1286%       | 76%                           |
| Gains from HTM assets  | 100              | 24%        | -16%        | 281              | 43%         | 75%                           |
| Net operating income   | 282              | 15%        | 53%         | 721              | -9%         | 72%                           |
| PBT                    | 139              | 6%         | 280%        | 288              | -30%        | 67%                           |
| <b>Reported PATMI</b>  | <b>111</b>       | <b>6%</b>  | <b>243%</b> | <b>233</b>       | <b>-29%</b> | <b>67%</b>                    |

Source: FiinPro

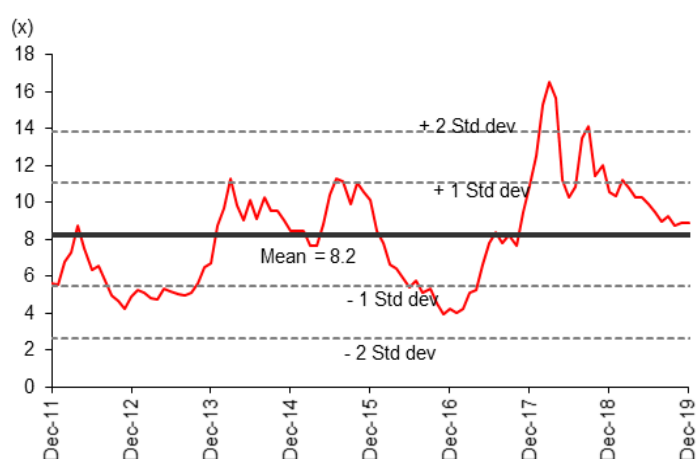
**Valuations.** Our target price is based on the median of four fair value methodologies and implies 8.5x 2020E P/E and 0.9x 2019E P/BV. Our forecast ROE of 12.7% is slightly below the theoretical cost of equity, implying that a sub-1.0x P/BV multiple is appropriate. As with all the brokers, achieving our reduced forecasts would require continued growth in market activity in 2020-21E. VND's shares currently trade at 0.9x 2019E P/BV and 8.9x adjusted 2020E PER. In the absence of guidance on a dividend policy, we are assuming a 36% dividend payout ratio on 2020E earnings, which translates into a 4.6% dividend yield.

### Price multiples: VNDirect

| (x)            | 2017A | 2018A | 2019E | 2020E | 2021E | 2022E |
|----------------|-------|-------|-------|-------|-------|-------|
| Reported P/E   | 5.6   | 7.2   | 8.5   | 8.5   | 7.1   | 5.1   |
| Adjusted P/E   | 5.9   | 7.6   | 8.9   | 8.9   | 7.5   | 5.4   |
| Reported P/B   | 0.8   | 1.0   | 0.9   | 0.9   | 0.8   | 0.7   |
| Tangible P/B   | 0.9   | 1.0   | 0.9   | 0.9   | 0.8   | 0.7   |
| EV / EBITDA    | 2.8   | 2.9   | 2.6   | 2.4   | 2.0   | 1.6   |
| Dividend Yield | 5.7%  | 8.0%  | 4.3%  | 4.6%  | 4.5%  | 5.4%  |

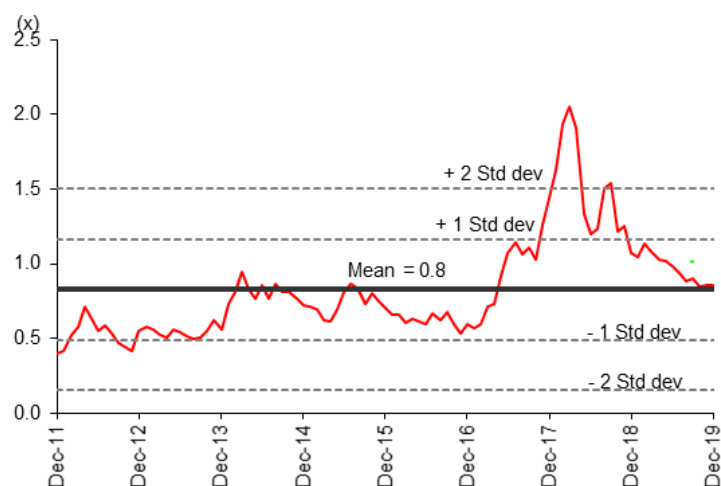
Source: Company data, Yuanta Vietnam

### VND VN: Historical 12-month forward P/E band



Source: Company data, Bloomberg, Yuanta Vietnam

### VND VN: Historical 12-month forward P/B band



Source: Company data, Bloomberg, Yuanta Vietnam

## Valuation Summary: VNDirect

|                          | VND per share | Upside / downside | Implied 2019E PB (x) | Implied 2020E PE |
|--------------------------|---------------|-------------------|----------------------|------------------|
| Current price            | 13,900        |                   | 0.9                  | 8.9              |
| DCF valuation            | 12,791        | -8.0%             | 0.8                  | 8.2              |
| Gordon growth valuation  | 6,016         | -56.7%            | 0.4                  | 3.9              |
| DDM                      | 13,672        | -1.6%             | 0.9                  | 8.8              |
| SoTP                     | 15,762        | 13.4%             | 1.0                  | 10.1             |
| Mean fair value          | 12,060        | -13.2%            | 0.8                  | 7.7              |
| <b>Median fair value</b> | <b>13,231</b> | <b>-4.8%</b>      | <b>0.9</b>           | <b>8.5</b>       |

Source: Company data, Yuanta Vietnam

| <b>Income Statement: VNDirect</b> |              |              |              |              |              |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>(VND bn)</b>                   | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
| Brokerage net revenues            | 177          | 304          | 161          | 193          | 241          |
| Margin lending net revenues       | 201          | 296          | 297          | 367          | 429          |
| Gains on trading assets           | 192          | (32)         | 52           | 111          | 107          |
| Gains on AFS & HTM assets         | 210          | 292          | 405          | 290          | 330          |
| Other investment                  | 46           | 12           | 29           | 31           | 33           |
| <b>Total investment revenues</b>  | <b>447</b>   | <b>272</b>   | <b>486</b>   | <b>432</b>   | <b>471</b>   |
| Net fee income                    | 24           | 18           | 44           | 53           | 61           |
| Other operating net revenues      | 2            | 6            | 7            | 8            | 9            |
| <b>Net operating revenues</b>     | <b>851</b>   | <b>896</b>   | <b>995</b>   | <b>1,052</b> | <b>1,210</b> |
| SG&A expenses                     | (260)        | (305)        | (356)        | (401)        | (444)        |
| <b>Operating profit</b>           | <b>592</b>   | <b>591</b>   | <b>639</b>   | <b>651</b>   | <b>766</b>   |
| Associates                        | 34           | 9            | 0            | 0            | 0            |
| Non-operating revenues            | 4            | 6            | 7            | 7            | 7            |
| Interest expense                  | (58)         | (144)        | (216)        | (235)        | (267)        |
| <b>Pretax profit</b>              | <b>571</b>   | <b>462</b>   | <b>431</b>   | <b>424</b>   | <b>507</b>   |
| Tax                               | (99)         | (87)         | (82)         | (80)         | (96)         |
| Minorities                        | -            | -            | -            | -            | -            |
| <b>Reported PATMI</b>             | <b>472</b>   | <b>375</b>   | <b>349</b>   | <b>343</b>   | <b>411</b>   |
| PATMI plus OCI                    | 472          | 375          | 349          | 343          | 411          |
| <b>Adjusted PATMI</b>             | <b>448</b>   | <b>356</b>   | <b>331</b>   | <b>326</b>   | <b>390</b>   |
| Reported EPS (VND)                | 2,481        | 1,926        | 1,640        | 1,643        | 1,966        |
| <b>Adjusted EPS (VND)</b>         | <b>2,353</b> | <b>1,827</b> | <b>1,555</b> | <b>1,558</b> | <b>1,865</b> |

Source: Company data, Yuanta Vietnam

| <b>Balance Sheet: VNDirect</b> |              |               |               |               |               |
|--------------------------------|--------------|---------------|---------------|---------------|---------------|
| <b>(VND bn)</b>                | <b>2017A</b> | <b>2018A</b>  | <b>2019E</b>  | <b>2020E</b>  | <b>2021E</b>  |
| Cash & equivalents             | 342          | 915           | 961           | 1,009         | 1,060         |
| Net margin loans               | 2,936        | 2,393         | 2,728         | 3,117         | 3,584         |
| FVPL assets                    | 735          | 1,017         | 1,068         | 1,153         | 1,234         |
| AFS assets                     | 748          | 387           | 414           | 427           | 448           |
| S/T HTM assets                 | 2,258        | 5,371         | 6,177         | 7,289         | 8,120         |
| Other current assets           | 156          | 172           | 190           | 199           | 209           |
| <b>Current assets</b>          | <b>7,176</b> | <b>10,256</b> | <b>11,538</b> | <b>13,194</b> | <b>14,654</b> |
| L/T HTM assets                 | 300          | 100           | 110           | 121           | 127           |
| Associates                     | 412          | -             | -             | -             | -             |
| Other L/T assets               | 164          | 188           | 207           | 217           | 228           |
| <b>Total L-T assets</b>        | <b>876</b>   | <b>288</b>    | <b>317</b>    | <b>338</b>    | <b>355</b>    |
| <b>Total assets</b>            | <b>8,051</b> | <b>10,544</b> | <b>11,855</b> | <b>13,532</b> | <b>15,010</b> |
| S/T borrowings                 | 4,352        | 6,013         | 6,431         | 7,074         | 7,463         |
| S/T bonds                      | -            | 727           | 1,195         | 1,739         | 2,339         |
| Other S/T liabilities          | 866          | 311           | 356           | 417           | 418           |
| <b>Current liabilities</b>     | <b>5,218</b> | <b>7,050</b>  | <b>7,982</b>  | <b>9,230</b>  | <b>10,220</b> |
| Long-term bonds                | 320          | 500           | 675           | 911           | 1,139         |
| Other L/T liabilities          | 7            | 9             | 9             | 9             | 10            |
| <b>Long-term liabilities</b>   | <b>327</b>   | <b>509</b>    | <b>684</b>    | <b>921</b>    | <b>1,149</b>  |
| Shareholder equity             | 1,500        | 2,003         | 2,003         | 2,003         | 2,003         |
| Reserves                       | 230          | 272           | 272           | 272           | 272           |
| Retained earnings              | 776          | 709           | 912           | 1,106         | 1,365         |
| Minority interests             | -            | -             | -             | -             | -             |
| Total equity                   | 2,507        | 2,985         | 3,188         | 3,381         | 3,641         |
| <b>Attributable equity</b>     | <b>2,507</b> | <b>2,985</b>  | <b>3,188</b>  | <b>3,381</b>  | <b>3,641</b>  |
| BVPS (VND)                     | 16,602       | 13,789        | 15,262        | 16,187        | 17,429        |

Source: Company data, Yuanta Vietnam

## Select ratios: VNDirect

| <b>Liquidity &amp; leverage</b> | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| Current ratio                   | 1.4          | 1.5          | 1.4          | 1.4          | 1.4          |
| Net debt / equity               | 1.73         | 1.88         | 1.93         | 2.06         | 2.07         |
| Interest coverage ratio         | 3.8          | 2.7          | 2.1          | 2.1          | 2.3          |
| Equity / Assets                 | 31.1%        | 28.3%        | 26.9%        | 25.0%        | 24.3%        |
| Tangible Equity / Assets        | 30.8%        | 28.2%        | 26.8%        | 24.9%        | 24.1%        |
| <b>Asset yields</b>             | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
| Margin loans (net)              | 8.2%         | 7.7%         | 6.7%         | 6.3%         | 6.1%         |
| FVPL realized                   | 22.7%        | 5.8%         | 2.5%         | 5.0%         | 5.0%         |
| FVPL revaluation                | 5.5%         | -9.5%        | 2.5%         | 5.0%         | 4.0%         |
| Dividends / Interest on FVPL    | 6.7%         | 1.6%         | 3.0%         | 3.0%         | 3.0%         |
| Total trading book              | 65.6%        | 31.0%        | 46.7%        | 38.9%        | 39.4%        |
| Fee income / Assets             | 0.4%         | 0.2%         | 0.4%         | 0.4%         | 0.4%         |
| <b>Profitability</b>            | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
| Brokerage GPM                   | 51.4%        | 58.4%        | 52.9%        | 54.5%        | 54.5%        |
| Margin lending GPM              | 58.4%        | 68.1%        | 62.4%        | 60.3%        | 58.8%        |
| Brokerage / net op inc          | 20.8%        | 33.9%        | 16.2%        | 18.4%        | 19.9%        |
| Margin / net op inc             | 23.6%        | 33.1%        | 29.8%        | 34.8%        | 35.5%        |
| Fees / net op inc               | 2.9%         | 2.0%         | 4.4%         | 5.0%         | 5.0%         |
| Investments / net op inc        | 52.5%        | 30.3%        | 48.9%        | 41.1%        | 38.9%        |
| Staff comp ratio                | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         |
| Bonus & welfare / NPAT          | 5.1%         | 5.1%         | 5.1%         | 5.1%         | 5.1%         |
| Adj ROA                         | 7.1%         | 4.0%         | 3.1%         | 2.7%         | 2.9%         |
| Adj ROE                         | 20.5%        | 13.1%        | 10.8%        | 10.0%        | 11.2%        |
| <b>Growth (YoY)</b>             | <b>2017A</b> | <b>2018A</b> | <b>2019E</b> | <b>2020E</b> | <b>2021E</b> |
| Brokerage revenues              | 132.2%       | 72.0%        | -47.0%       | 20.0%        | 24.8%        |
| Margin lending net revenues     | 82.7%        | 47.4%        | 0.3%         | 23.4%        | 17.1%        |
| Investment revenues             | 81.8%        | -39.3%       | 79.1%        | -11.1%       | 8.9%         |
| Fee income                      | 54.7%        | -27.9%       | 149.2%       | 20.3%        | 15.3%        |
| Net operating revenues          | 88.6%        | 5.2%         | 11.1%        | 5.7%         | 15.0%        |
| SG&A expenses                   | 26.9%        | 17.4%        | 16.7%        | 12.7%        | 10.7%        |
| Operating profit                | 139.7%       | -0.1%        | 8.2%         | 1.9%         | 17.6%        |
| Reported PATMI                  | 153.4%       | -20.5%       | -7.1%        | -1.6%        | 19.7%        |
| Adjusted PATMI                  | 153.4%       | -20.5%       | -7.1%        | -1.6%        | 19.7%        |
| Reported EPS                    | 161.2%       | -22.4%       | -14.9%       | 0.2%         | 19.7%        |
| Adjusted EPS                    | 161.2%       | -22.4%       | -14.9%       | 0.2%         | 19.7%        |
| Avg margin loans                | 40.5%        | 35.4%        | 17.0%        | 30.0%        | 20.0%        |
| FVPL assets                     | 16.8%        | 38.4%        | 5.0%         | 8.0%         | 7.0%         |
| AFS assets                      | 40.9%        | -48.3%       | 7.0%         | 3.0%         | 5.0%         |
| Short-term HTM assets           | 38.5%        | 137.9%       | 15.0%        | 18.0%        | 11.4%        |
| Total current assets            | 44.3%        | 42.9%        | 12.5%        | 14.4%        | 11.1%        |
| Total assets                    | 55.6%        | 31.0%        | 12.4%        | 14.1%        | 10.9%        |
| Attributable equity             | 30.2%        | 20.2%        | 6.8%         | 6.1%         | 7.7%         |
| BVPS                            | 28.7%        | -16.9%       | 10.7%        | 6.1%         | 7.7%         |

Source: Company data, Yuanta Vietnam

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## Appendix A: Important Disclosures

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**HOLD-Outperform:** In our view, the stock's fundamentals are relatively more attractive than peers at the current price. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile.

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