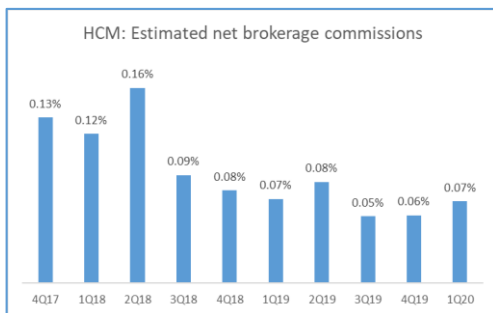


## Vietnam: Brokers

22 April 2020

**BUY**
**Target Price upside +91%**
**Close 21 Apr 2019**

 Price VND 15,700  
 12M Target VND 29,931

**Share price performance relative to VNI**


Market cap	US\$204m
6M avg. daily turnover	US\$1.0m
Outstanding shares	306m
Free float	42%
FINI ownership	57%
Major shareholders	58%
Net debt/equity	29%
2020E EV/EBITDA	4.5
2020E P/B	1.0x
Trading platform	HOSE
FOL Room	nmf*

\*Note: HCM has no foreign ownership limit

**Source: Bloomberg, Yuanta Vietnam**
**Research Analyst:**

Matthew Smith, CFA

[matthew.smith@yuanta.com.vn](mailto:matthew.smith@yuanta.com.vn)

Bloomberg code: YUTA

## HCMC Securities (HCM VN)

### Decent 1Q20 results despite the crash

#### Event

HCM's 1Q20 earnings rose +23.2% YoY, a reasonably strong result considering market conditions in the first quarter (and *especially* in March). Brokerage net revenues were in line with our expectations, but service fees and margin lending were weaker than our forecasts. As a result, HCM has achieved just 15% of our full-year earnings.

#### Details

**Net brokerage income** came in at VND37bn (-13% QoQ / 3% YoY). We estimate gross commissions of 19bps and net commissions of 7bps during the quarter, based on index volumes and HCM's market share of 11% on the HOSE, 6% on HNX, and 7% on UPCOM.

**Net service fees** were slightly negative during the quarter, which was clearly not a boom for investment banking. As such fees are lumpy by definition, this is not a surprise nor a major concern.

**Gross revenues from lending** (-13% QoQ / +13% YoY) appears to be the biggest discrepancy vs our forecasts. Quarter-end margin loans were VND3.8 trillion (+16% QoQ / -23% YoY) and loan yields (using balance sheet loans) were 11.7% (-69bp QoQ / -159bps YoY).

HCM: 1Q20 Results round-up	1Q20 (VND bn)	YoY	QoQ
Gross brokerage income	107	-3%	-13%
Net brokerage income	37	-2%	15%
Service fees	-2	35%	-143%
Gross margin income	116	13%	-13%
Prop trading	36	25%	-5%
Gains from AFS assets	0	nmf	nmf
Gains from HTM assets	0	nmf	nmf
<b>Net operating income</b>	<b>172</b>	<b>19%</b>	<b>-17%</b>
PBT	126	23%	-17%
<b>Reported PATMI</b>	<b>101</b>	<b>23.2%</b>	<b>-20.7%</b>

**Source: Company data**

**Our view:** Margin lending is one of the two key drivers of brokerage profits, and HCM appears to have been relatively aggressive despite the ongoing [competitive crunch](#) (and a crashing market). Despite this, brokerage fees are still likely above peers on a net basis. That said, our forecasts for 2020 may be slightly stretched depending on how 2H10 plays out, and we will revisit our numbers after we get a better picture of the wider sector's performance in 1Q20.

**We reiterate our BUY recommendation on HCM.** Brokers are perhaps not an obvious choice for safety when markets are tanking, but HCM ticks the boxes for quality in terms of its balance sheet strength and management acumen. The stock currently trades at 1.0x 2020E P/B.

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Taiwan persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research  
Yuanta Securities Investment Consulting  
4F, 225,  
Section 3 Nanking East Road, Taipei 104  
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research  
Yuanta Securities (Hong Kong) Co. Ltd  
23/F, Tower 1, Admiralty Centre  
18 Harcourt Road,  
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

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Head Office  
Yuanta Securities Building  
Euljiro 76 Jung-gu  
Seoul, Korea 100-845  
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research  
PT YUANTA SECURITIES INDONESIA  
(A member of the Yuanta Group)  
Equity Tower, 10th Floor Unit EFGH  
SCBD Lot 9  
Jl. Jend. Sudirman Kav. 52-53  
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

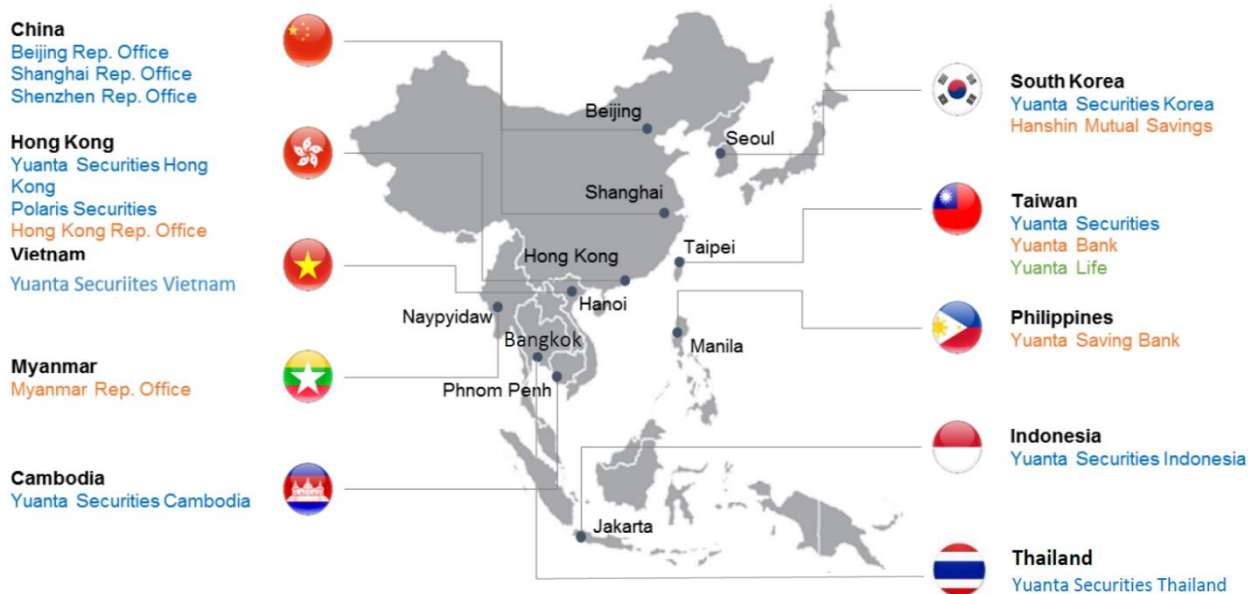
Research department  
Yuanta Securities (Thailand)  
127 Gaysorn Tower, 16th floor  
Ratchadamri Road, Pathumwan  
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department  
Yuanta Securities (Vietnam)  
4th Floor, Saigon Centre  
Tower 1, 65 Le Loi Boulevard,  
Ben Nghe Ward, District 1,  
HCMC, Vietnam

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# YUANTA SECURITIES NETWORK



## YUANTA SECURITIES VIETNAM OFFICE

**Head office:** 4<sup>th</sup> Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

### Institutional Research

**Matthew Smith, CFA**

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

[matthew.smith@yuanta.com.vn](mailto:matthew.smith@yuanta.com.vn)

**Quang Vo**

Analyst (Consumer)

Tel: +84 28 3622 6868 (ext. 3872)

[quang.vo@yuanta.com.vn](mailto:quang.vo@yuanta.com.vn)

**Tam Nguyen**

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

[tam.nguyen@yuanta.com.vn](mailto:tam.nguyen@yuanta.com.vn)

### Institutional Sales

**Huy Nguyen**

Head of Institutional sales

Tel: +84 28 3622 6868 (3808)

[Huy.nguyen@yuanta.com.vn](mailto:Huy.nguyen@yuanta.com.vn)

**Binh Truong**

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (3845)

[binh.truong@yuanta.com.vn](mailto:binh.truong@yuanta.com.vn)

**Tanh Tran**

Analyst (Banks)

Tel: +84 28 3622 6868 (3874)

[tanh.tran@yuanta.com.vn](mailto:tanh.tran@yuanta.com.vn)

**Duyen Nguyen**

Sales Trader

Tel: +84 28 3622 6868 (ext. 3890)

[duyen.nguyen@yuanta.com.vn](mailto:duyen.nguyen@yuanta.com.vn)