

Vietnam: Brokers

4 May 2020

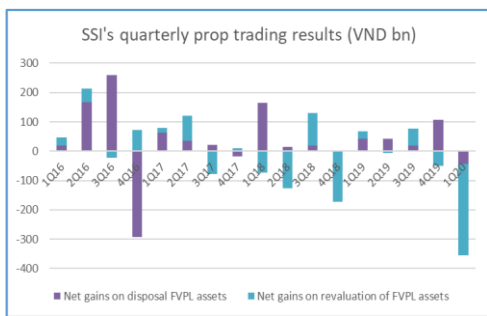
HOLD-Outperform

Target Price upside +85%

Close 4 May 2020

Price VND 12,700
12M Target VND 23,525

Share price performance relative to VNI



Market cap	US\$325m
6M avg. daily turnover	US\$1.5m
Outstanding shares	601m
Free float	42%
FINI ownership	44%
Major shareholders	58%
Net debt/equity	1.8x
2020E EV/EBITDA	1.4x
2020E P/B	0.7x
2020E Dividend yield	5.9%
Trading platform	HOSE
FOL Room	nmf*

**Note: SSI has no foreign ownership limit*

Source: Bloomberg, Company data, Yuanta Vietnam

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Bloomberg code: YUTA

Saigon Securities (SSI VN)

Trading book is the key driver

Event

SSI's 1Q20 earnings declined -96% QoQ and YoY as net brokerage fees were effectively zero and realized and unrealized proprietary trading losses blossomed. This breakeven result puts our full-year earnings estimate of VND1.1trn at downside risk.

Details

SSI posted a net brokerage loss of -VND0.2bn (-98% QoQ / -101% YoY). Brokerage revenues net of expenses has been essentially zero over the past four quarters. Based on SSI's market share of 12.3% on the HOSE, 8.4% on HNX, and 8.2% on UPCOM, we estimate gross commissions of 19bps. That is in line with the same calculations for HSC and VCI, but peers posted positive net brokerage commissions of 7bps and 11bps, respectively.

Worst quarter historically for prop trading, which posted a net loss of -VND354bn. Specifically, SSI reported VND44bn in realized losses and VND310bn in unrealized mark-to-market losses. SSI's FVPL assets totaled VND6.5tn as of 1Q20 (+50% QoQ / +203% YoY and 23.6% of total assets).

Margin lending revenues (-7% QoQ / -11% YoY) declined along with a 25% QoQ fall in margin loans. The bulk of the margin loan decline probably occurred in March, but based on the average of 4Q19 and 1Q20, we estimate VCI's gross lending yields were 12.4% in 1Q20.

SSI: 1Q20 Results round-up	1Q20 (VND bn)	YoY	QoQ
Gross brokerage income	123	-20%	-18%
Net brokerage income	0	-101%	-98%
Service fees	31	345%	115%
Gross margin income	145	-7%	-11%
Prop trading	-354	-621%	-202%
Gains from AFS assets	159	<i>nmf</i>	303%
Gains from HTM assets	259	21%	2%
PBT	8	-97%	-97%
Reported PATMI	8	-95.8%	-96.2%

Source: Company data

Proprietary trading = A two-way street. SSI's reliance on HTM assets (i.e., bank deposits) has reduced its quarterly earnings volatility in the past, but this failed to counteract the trading losses of 1Q20. However, net unrealized trading losses of VND310bn in 1Q20 may transition back to unrealized/realized gains in 2Q20 if the market strength of April (i.e., the best monthly performance since May 2009) holds up in May/June. SSI's trading book soared in 1Q20, indicating that they were adding to positions during the market rout of March. SSI is currently trading on a 2020 PB multiple of 0.7x.

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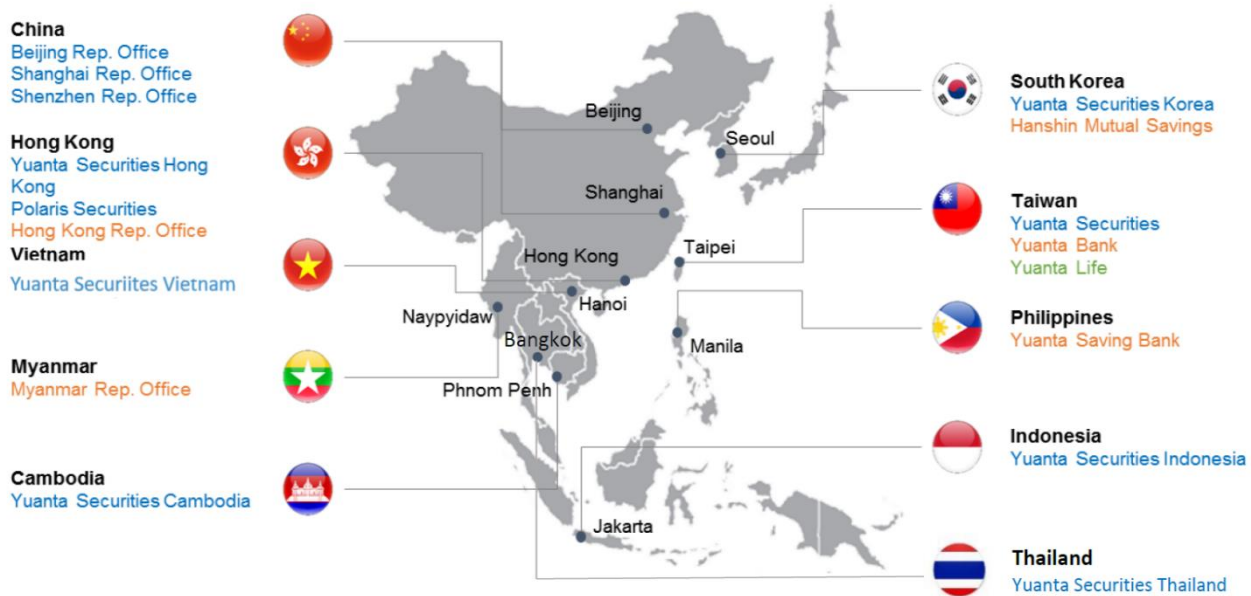
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