

Vietnam: Brokers

5 May 2020

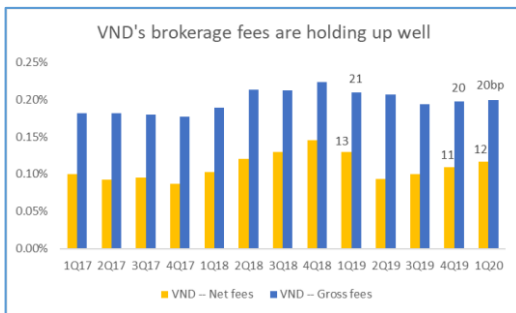
HOLD-Underperform

Target Price upside +23%

Close 4 May 2020

Price VND 10,750
12M Target VND 13,231

Share price performance relative to VNI



Market cap	US\$95m
6M avg. daily turnover	US\$212K
Outstanding shares	209m
Free float	90%
FINI ownership	37%
Major shareholders	40%
Net debt/equity	2.2x
2020E EV/EBITDA	1.5x
2020E P/B	0.6x
2020E Dividend yield	4.7%
Trading platform	HOSE
FOL Room	12%

**Note: SSI has no foreign ownership limit*

Source: Bloomberg, Company data, Yuanta Vietnam

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Bloomberg code: YUTA

VNDirect Securities (VND VN)

Challenges on exhibit in 1Q20 results

Event

VND's 1Q20 earnings declined -61% QoQ and -35% YoY. The company has achieved 18% of our full-year target in the first quarter, a reasonable result considering March's market mayhem.

Details

Net brokerage income was up 7% QoQ but down -12% YoY. Based on VND's market share of 7.0% on the HOSE, 7.6% on HNX, and 12.6% on UPCOM, we estimate gross commissions were 20bps which is in line with the other three brokers under coverage (all of which posted an estimated 19bps). Est. net commissions of 12bps were also the highest in our coverage and the highest over the past four quarters.

VND posted a prop trading loss of -VND40bn (-135% QoQ / -218% YoY). Specifically, the company posted net realized gains of VND39bn (-26% QoQ / +23% YoY) but unrealized mark-to-market losses of VND79bn in 1Q20. VND's FVPL book declined -10% QoQ to reach 12% of total assets, indicating that it did not double down in March.

Margin lending revenues (-30% QoQ / +9% YoY) were in line with its 30% QoQ fall in margin loans, where its market share fell to 4just .2%. Based on the average gross margin loans on the 4Q19 and 1Q20 balance sheet, gross lending yields would have been 15.0% in 1Q20 (note: this estimate is likely too high).

VND: 1Q20 Results round-up	1Q20 (VND bn)	YoY	QoQ
Gross brokerage income	80	-12%	1%
Net brokerage income	47	-17%	7%
Service fees	0	-98%	-100%
Gross margin income	95	9%	-30%
Prop trading	-40	-218%	-135%
Gains from AFS assets	45	6%	3393%
Gains from HTM assets	106	76%	-1%
Net operating income	222	-12%	-35%
PBT	72	-36%	-63%
Reported PATMI	58	-35%	-61%

Source: Company data

Our view: Overall, this was not a bad earnings result considering the carnage that was March. VND appears to be holding on to brokerage profitability but forgoing market share of margin lending, which is inherently a more profitable business. We see VND as primarily a retail-focused brokerage with a leading online trading platform.

However, retail brokerage in Vietnam is experiencing an intense [competitive crunch](#) and VND's strategy has yet to bear fruit in terms of earnings—or share price performance. Its low liquidity and sub-\$100m market cap could also be a hurdle for many investors. VND is trading at 0.6x 2020 P/B, just off its 52-week low.

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