

Vietnam: Brokers

21 July 2020

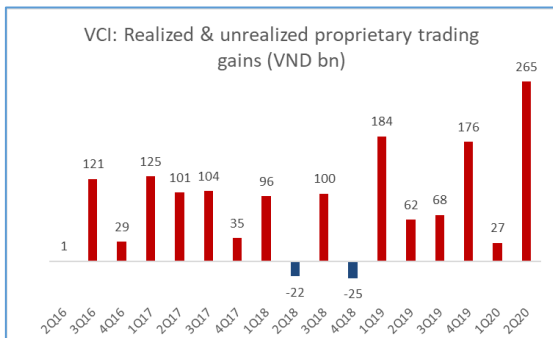
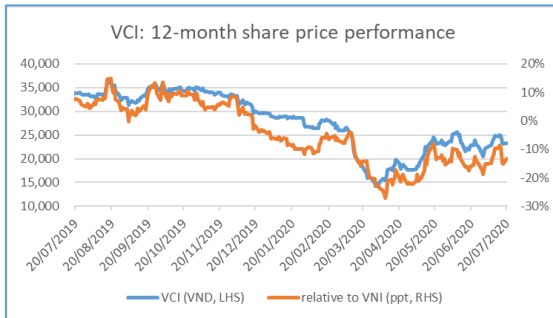
HOLD-Underperform

Target Price upside +13.3%

Close 20 July 2020

Price VND 23,350
12M Target VND 26,449

Share price performance relative to VNI



Market cap	US\$164m
6M avg. daily turnover	US\$599K
Outstanding shares	164m
Free float	64%
FINI ownership	44%
Major shareholders	62%
Net debt/equity	14%
2020E EV/EBITDA	2.9x
2020E P/B	0.9x
2020E Dividend yield	3.6%
Trading platform	HOSE
FOL Room	nmf*
*Note: VCI has no foreign ownership limit	
Source: Bloomberg, FiinPro, VCI, Yuanta Vietnam	

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Bloomberg code: YUTA

Vietcapital Securities (VCI VN)

Trading gains soar in 2Q20

Event

VCI's 2Q20 earnings soared in 2Q20 driven by a sharp recovery in proprietary trading results. As a result, VCI has achieved 69% of our full-year earnings forecast.

Details

Net brokerage income was just VND14bn (+22% QoQ / -13% YoY) as brokerage expenses soared to VND91bn, the highest level since 4Q18. Although VCI's brokerage expenses tend to be lumpy and difficult to interpret from our distant viewpoint, costs typically tend to spike in 4Q, so this number was a bit of a surprise.

We estimate average gross commissions of 16bps but net commissions just 2bps during the quarter based on index volumes and VCI's market share of 8.8% on the HOSE and 6.6% on UPCOM. Once again, VCI was not among the top ten brokers on HNX.

Prop trading gains of VND265bn (+4x QoQ / +9x YoY) drove the earnings beat. This was the best prop trading result in the company's history as disclosed since 2016. Specifically, VCI reported VND173bn in realized gains and VND91bn in unrealized gains in 2Q20—the latter figure represents a substantial recovery from the VND236bn unrealized loss in 1Q20.

Margin lending gross revenues (-26% QoQ / -17% YoY) indicate that VCI was not aggressively pursuing market share in 2Q20, but margin loans were still up 30% QoQ. Based on average period-end loans on the balance sheet, we reckon VCI earned 10.6% loan yields in 1Q20.

VCI's 2Q20 results summary	2Q20 (VND bn)	YoY	QoQ
Gross brokerage income	105	-13%	22%
Net brokerage income	14	-71%	-72%
Service fees	0	-101%	-97%
Gross margin income	64	-17%	-26%
Prop trading	265	331%	6040%
Gains from HTM assets	4	nmf	nmf
Net operating income	361	87%	160%
PBT	311	82%	246%
Reported PATMI	205	47%	73%

Source: FiinPro, Company data, Yuanta Vietnam

VCI's strong results confirm our view on potential blowout results for the other brokers, notably SSI (HOLD-Opf) given its sector-high prop book exposure as at 1Q20. VCI is not our favorite among the brokers in part due to stock liquidity issues, but its top manager's recent [purchase](#) of 6 million shares should support confidence. VCI is now trading on a 2020 P/B multiple of 0.9x and 6.5x 2021E P/E.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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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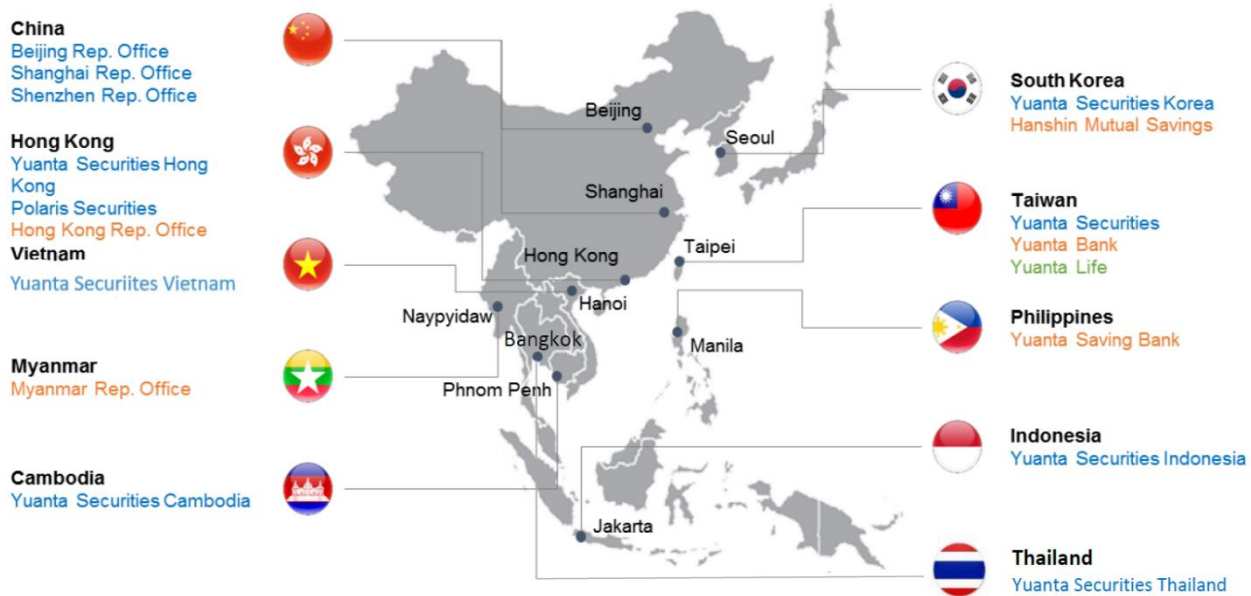
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