

**Vietnam: Brokers**

**4 November 2020**

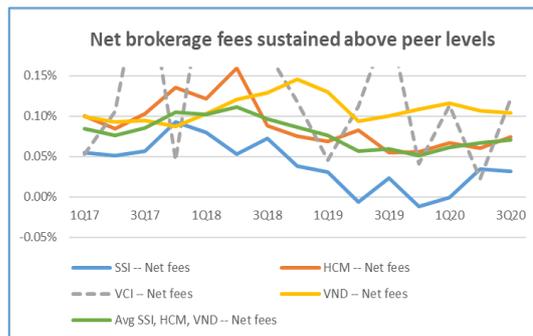
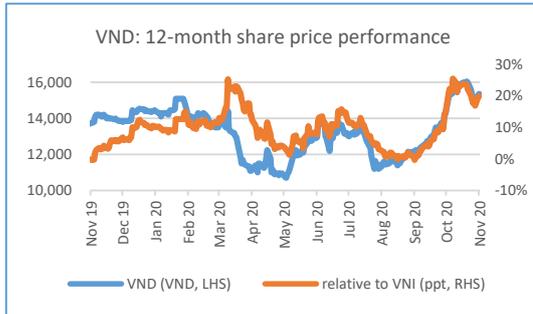
**HOLD-Underperform**

**Target Price downside -17%**

**Close 4 November 2020**

Price VND 15,850  
12M Target VND 13,150

**Share price performance relative to VNI**



Market cap	US\$117m
6M avg. daily turnover	US\$720k
Outstanding shares	209m
Free float	60%
FINI ownership	32.7%
Major shareholders	46%
3Q20 Net debt/equity	257%
2021E P/E	8.8x
2020E EV/EBITDA	3.2x
2020E P/B	1.0x
2020E Dividend yield	4.4%
Trading platform	HOSE
FOL Room	16.3%

Source: Bloomberg, FiinPro, Yuanta Vietnam

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**VNDirect Securities (VND VN)**

**Profitability appears to be the focus**

**Event**

We were again pleasantly surprised by VND's 3Q20 results, not so much for the prop trading gains but rather for the persistently high brokerage commission and margin lending rates. Focusing on returns rather than chasing market share is a laudable strategy, in our view.

**Details**

VND's 3Q20 brokerage profitability was again the highest in our coverage. Estimated gross commissions were supported at 18bps, with commissions net of costs at 10bp well above SSI's 3bp and HCM's 7bp. These estimates are based on VND's 3Q20 share of turnover on the HOSE (7.3%), HNX (7.6%), and UPCOM (9.0%).

Net prop trading gains of VND159bn (+78% QoQ/+225% YoY) were 67% realized and 33% unrealized. Trading assets of VND 1.4tn (+46% QoQ/-6.7% YoY) represent just 10.7% of total 3Q20 assets, up from the multiyear low of 8.1% in 2Q20. By contrast, AFS holdings of VND 4.1tn (+18% QoQ/+367% YoY) now represent 30.6% of total assets.

Gross lending revenues of VND 75bn (-3% QoQ/-29% YoY) declined again on flattish market share of 4.3% but stable lending yields of an estimated 11.9% (again, the highest in our coverage). Margin loans account for 20% of assets, flat QoQ but down 7.5ppt YoY.

VND: 3Q20 Results Summary	3Q20 (VND bn)	YoY	QoQ
Gross brokerage income	111	25%	1%
Net brokerage income	63	39%	0%
Service fees	37	307%	463%
Gross margin income	75	-29%	-3%
Prop trading	159	225%	78%
Gains from AFS assets	29	258%	2466%
Gains from HTM assets	84	-16%	0%
<b>Net operating income</b>	<b>430</b>	<b>57%</b>	<b>47%</b>
PBT	305	119%	81%
<b>Reported PATMI</b>	<b>248</b>	<b>123%</b>	<b>84%</b>

Source: Company data, FiinPro

VND has crushed our full-year PATMI estimate in the first three quarters, illustrating both the strength of its operations and the futility of our attempts to forecast brokerage earnings. Overall, we are impressed by the persistently high commission and margin lending rates. VND appears to be focusing on the profitability of its underlying business rather than charging head-on into a market share war - a war that it couldn't possibly win on price alone given the funding strengths of the foreign brokers.

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