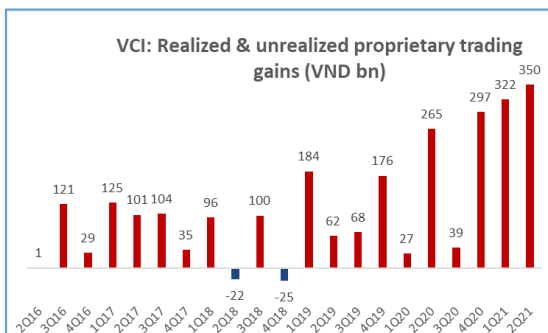
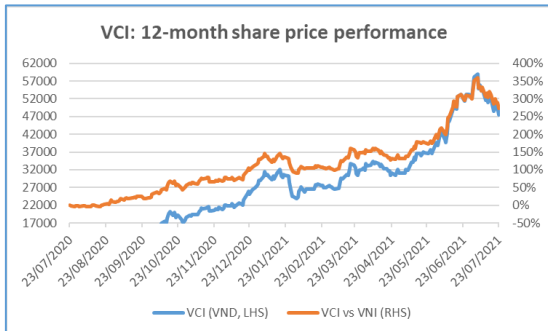


Vietnam: Brokers
23 July 2021
SELL
Target Price Downside: -16.3%
Close July 23
Price VND 47,400
12M Target VND 39,653
Share price performance relative to VNI


Market cap	US\$689m
6M avg. daily turnover	US\$5.7mn
Outstanding shares	333m
Free float	62%
FINI ownership	21%
Major shareholders	38%
1Q21 Net debt/equity	78%
2021E EV/EBITDA	8.2x
2021E P/B	3.1x
2021E Dividend yield	2.4%
Trading platform	HOSE
FOL Room	nmf*

*Note: VCI has no foreign ownership limit
 Source: Bloomberg, FiinPro, VCI, Yuanta Vietnam

Research Analyst:
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Bloomberg code: YUTA

Vietcapital Securities (VCI VN)

High fives for the prop desk

Event

VCI posted solid 2Q21 results driven by what we think were record high quarterly prop trading gains. VCI has delivered 63% of our full-year earnings forecast and 68% of the high of their guidance range.

Details

Brokerage income was VND209bn gross (+28% QoQ / +99% YoY) and VND50bn net (+19% QoQ / +244% YoY) in 2Q21. Because of IB-related revenues, VCI's brokerage expenses tend to be lumpy and difficult to interpret. 2Q21 was no exception.

We estimate average gross commissions of 16bps+ with net commissions of just 4bps. These estimates are based on market volumes and our limited visibility on VCI's market share. In particular, VCI's 2Q21 market share of 5.0% on the HSX was the lowest figure in our database, which dates back to 2014. In 1Q21 and 2Q21, VCI was not among the top ten brokers on HNX or UPCoM.

Net prop trading gains reached a record high VND350bn (+9% QoQ/-43% YoY) in 2Q21. Realized gains (VND272bn, -18% QoQ / +57% YoY) accounted for 78% of total prop gains, while revaluation results (VND78bn) shifted back into the black after a small loss in 1Q21. After two very strong quarterly trading results in 1Q-2Q21, net prop trading gains account for 77% of VCI's 1H21 pre-tax profit.

Margin lending gross revenues (+36% QoQ / +112% YoY) especially given the 14% QoQ/174% YoY increase in margin loans to VND5.5tn or 48% of total assets. Based on average period-end loans, we reckon loan yields averaged 10.5% in 2Q21.

VCI's 3Q20 results summary	2Q21 (VND bn)	YoY	QoQ
Gross brokerage income	209	99%	28%
Net brokerage income	50	244%	19%
Net service fees	-4	5186%	-1590%
Gross margin income	137	112%	36%
Net prop trading	350	32%	9%
Gains from HTM assets	1	-70%	-21%
Net operating income	575	59%	45%
PBT	504	62%	38%
Reported PATMI	410	100.1%	40.6%

Source: FiinPro, Company data, Yuanta Vietnam

We reiterate our **SELL** recommendation after [downgrading](#) the stock and the sector on June 16. This is largely a valuation call, as the market had more than discounted the company's realistic growth and ROE. The stock has given back 7% since our downgrade, but it is still expensive at 3.1x P/BV vs. our fair value multiple of 2.6x.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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Ratings Definitions

BUY: We have a positive outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors add to their position.

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.

HOLD-Underperform: In our view, the stock's fundamentals are relatively less 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.

SELL: We have a negative outlook on the stock based on our expected absolute or relative return over the investment period. Our thesis is based on our analysis of the company's outlook, financial performance, catalysts, valuation and risk profile. We recommend investors reduce their position.

Under Review: We actively follow the company, although our estimates, rating and target price are under review.

Restricted: The rating and target price have been suspended temporarily to comply with applicable regulations and/or Yuanta policies.

Note: Yuanta research coverage with a Target Price is based on an investment period of 12 months. Greater China Discovery Series coverage does not have a formal 12 month Target Price and the recommendation is based on an investment period specified by the analyst in the report.

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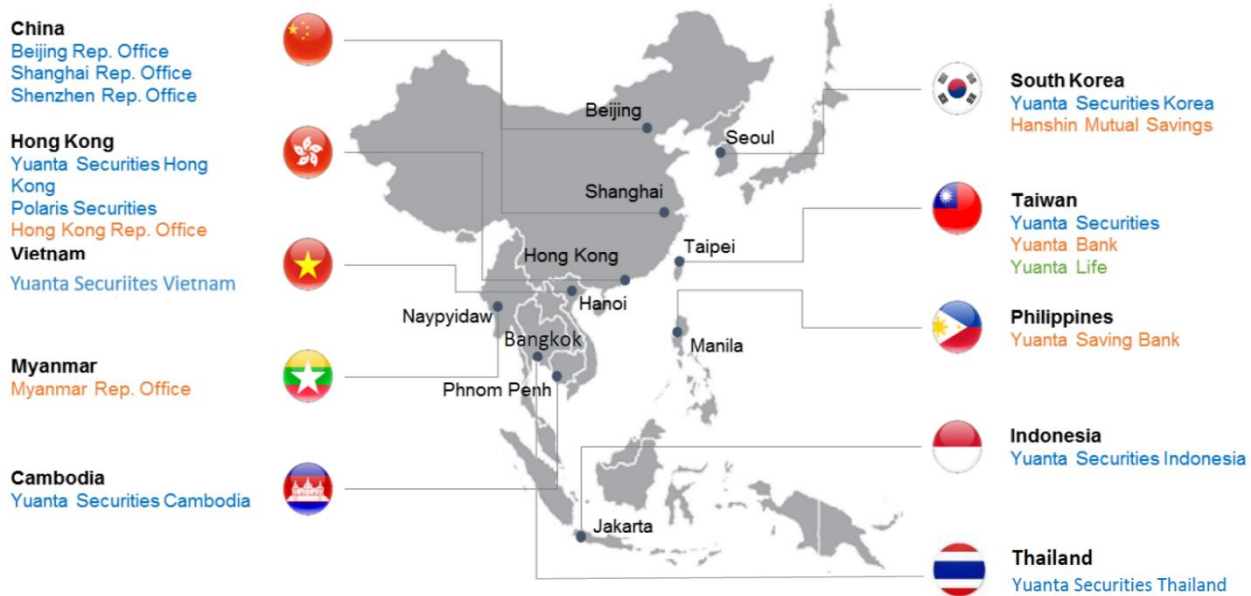
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