

Vietnam: Brokers

22 July 2022

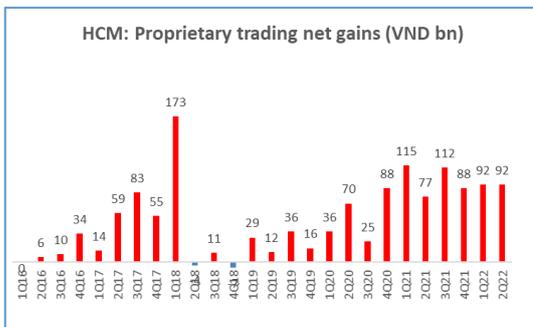
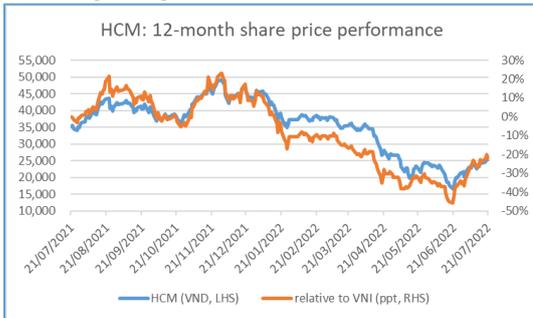
BUY

Target Price downside +18.4%

Close 21 July

Price **VND 25,300**
 12M Target **VND 29,957**

Share price performance relative to VNI



Market cap	US\$494m
6M avg. daily turnover	US\$5.1m
Outstanding shares	458m
Free float	46%
FINI ownership	42.5%
Major shareholders	54%
2Q22 Net debt/equity	61%
2022E EV/EBITDA	5.8x
2022E P/B	1.4x
2022E Dividend yield	5.0%
Trading platform	HOSE
FOL Room	3%

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

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HCMC Securities (HCM VN)

Stable results despite the bear market

2Q22 PATMI reached VND 279bn (-1% QoQ / -1% YoY) with weakness in net brokerage and margin lending income offset by advisory fees and - perhaps a surprise - stable proprietary trading results. HCM has now achieved 43% of our full-year PATMI forecast.

Key Highlights

Net brokerage income came in at VND87bn (-17% QoQ / -35% YoY). We estimate HCM's 2Q22 gross commission rate at 18bps (flat QoQ / +1bp YoY) and net commission rate at 7bps (flat QoQ / -1bp YoY) during the quarter. This is based on much-reduced market volumes and HCM's 2Q22 market share on HSX (5.6%), HNX (3.4%), and UPCOM (2.8%) as reported by the exchanges.

Net prop trading gains held up at VND92bn (flat QoQ / +19% YoY) with revaluation gains predominant. This result may come as a positive surprise to some given the 2Q bear market June, and it supports management's claims to avoid taking directional bets. Specifically, HCM reported VND17bn in realized gains (-85% QoQ/-87% YoY) and VND76bn in unrealized gains (vs net losses in 1Q22 and 2Q21). HCM's 2Q22 FVPL book declined to VND1.9tn (-16% QoQ / -5% YoY), accounting for 10% of total assets.

Margin finance fell. 2Q22 gross lending income was VND327bn (-12% QoQ/+21% YoY) as loans declined to VND11.2tn (-23% QoQ/+22% YoY) to account for 59% of total assets. We estimate 2Q22 lending yields of 10.2% (-40bp QoQ / -180bp YoY) as increased balance sheet capacity likely led to heightened competition despite the market rout.

Offsetting this decline, advisory fees soared to VND34bn (vs. small net losses in 1Q22 and 2Q21). This was the highest quarterly fee income for HCM since 3Q18.

HCM: Results Summary	2Q22 (VND bn)	YoY	QoQ
Gross brokerage income	236	-35%	-17%
Net brokerage income	87	-50%	-25%
Service fees	34	<i>nmf</i>	<i>nmf</i>
Gross margin income	327	21%	-12%
Prop trading	92	19%	0%
Gains from AFS assets	0	<i>nmf</i>	<i>nmf</i>
PBT	349	-1%	-1%
Reported PATMI	279	-1%	-1%

Source: Company data, FiinPro

We reiterate BUY on HCM. We upgraded the brokers sector to **Overweight** on June 27, as the underlying fundamentals of the business remain attractive while the valuations had come back down from the 4Q21 bubble. HCM's stable operations in the cyclical bear market of 2Q22 demonstrate that it is a value creator even against top-down market headwinds. The shares We expect +23% 12-month total returns for shareholders.

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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