

**Vietnam: Brokers**

**22 July 2022**

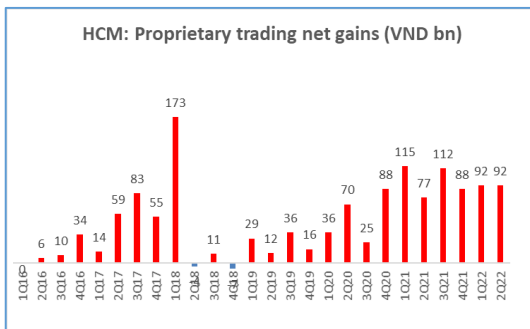
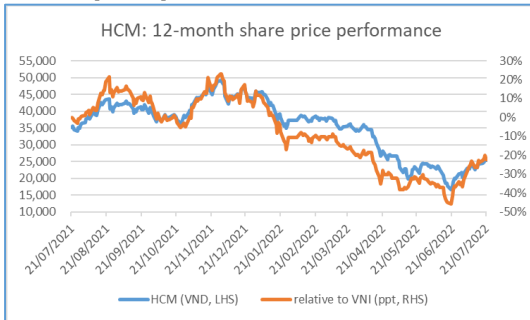
**BUY**

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

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

**Matthew Smith, CFA**  
Head of Institutional Research  
[matthew.smith@yuanta.com.vn](mailto:matthew.smith@yuanta.com.vn)

**Di Luu**  
Assistant Analyst

**Bloomberg code: YUTA**

**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%
<b>Reported PATMI</b>	<b>279</b>	<b>-1%</b>	<b>-1%</b>

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.

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Attn: Research  
Yuanta Securities Investment Consulting  
4F, 225,  
Section 3 Nanking East Road, Taipei 104  
Taiwan

Hong Kong persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

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Attn: Research  
Yuanta Securities (Hong Kong) Co. Ltd  
23/F, Tower 1, Admiralty Centre  
18 Harcourt Road,  
Hong Kong

Korean persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Head Office  
Yuanta Securities Building  
Euljiro 76 Jung-gu  
Seoul, Korea 100-845  
Tel: +822 3770 3454

Indonesia persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Attn: Research  
PT YUANTA SECURITIES INDONESIA  
(A member of the Yuanta Group)  
Equity Tower, 10th Floor Unit EFGH  
SCBD Lot 9  
Jl. Jend. Sudirman Kav. 52-53  
Tel: (6221) - 5153608 (General)

Thailand persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

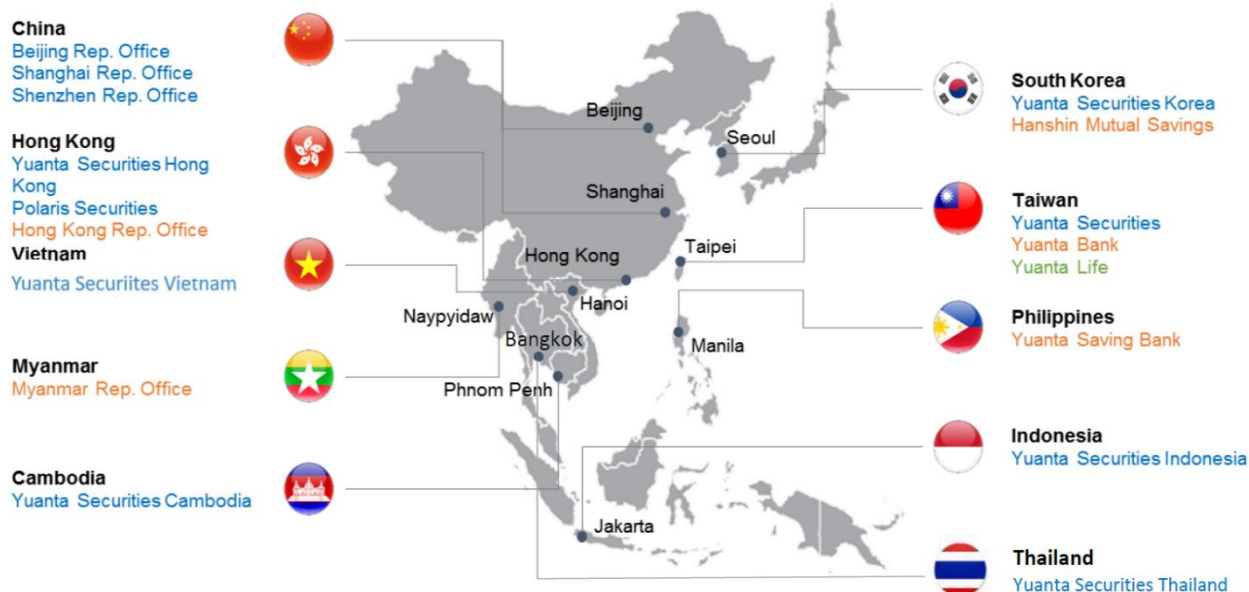
Research department  
Yuanta Securities (Thailand)  
127 Gaysorn Tower, 16th floor  
Ratchadamri Road, Pathumwan  
Bangkok 10330

Vietnam persons wishing to obtain further information on any of the securities mentioned in this publication should contact:

Research department  
Yuanta Securities (Vietnam)  
4th Floor, Saigon Centre  
Tower 1, 65 Le Loi Boulevard,  
Ben Nghe Ward, District 1,  
HCMC, Vietnam

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# YUANTA SECURITIES NETWORK



## YUANTA SECURITIES VIETNAM OFFICE

**Head office:** 4<sup>th</sup> Floor, Saigon Centre, Tower 1, 65 Le Loi Boulevard, Ben Nghe Ward, District 1, HCMC, Vietnam

### Institutional Research

#### Matthew Smith, CFA

Head of Research

Tel: +84 28 3622 6868 (ext. 3815)

[matthew.smith@yuanta.com.vn](mailto:matthew.smith@yuanta.com.vn)

#### Binh Truong

Deputy Head of Research (O&G, Energy)

Tel: +84 28 3622 6868 (ext. 3845)

[binh.truong@yuanta.com.vn](mailto:binh.truong@yuanta.com.vn)

#### Tanh Tran

Analyst (Banks)

Tel: +84 28 3622 6868 (ext. 3874)

[tanh.tran@yuanta.com.vn](mailto:tanh.tran@yuanta.com.vn)

#### Tam Nguyen

Analyst (Property)

Tel: +84 28 3622 6868 (ext. 3874)

[tam.nguyen@yuanta.com.vn](mailto:tam.nguyen@yuanta.com.vn)

#### Di Luu

Assistant Analyst

Tel: +84 28 3622 6868 (ext. 3845)

[di.luu@yuanta.com.vn](mailto:di.luu@yuanta.com.vn)

### Institutional Sales

#### Tuan-Anh Nguyen

Sales Trader

Tel: +84 28 3622 6868 (ext. 3909)

[anh.nguyen2@yuanta.com.vn](mailto:anh.nguyen2@yuanta.com.vn)

#### Trung Nguyen

Sales Trader

Tel: +84 28 3622 6868 (3890)

[trung.nguyen2@yuanta.com.vn](mailto:trung.nguyen2@yuanta.com.vn)

#### Dat Bui

Sales Trader

Tel: +84 28 3622 6868 (3941)

[dat.bui@yuanta.com.vn](mailto:dat.bui@yuanta.com.vn)

#### Vi Truong

Sales Trader

Tel: +84 28 3622 6868 (3940)

[vi.truong@yuanta.com.vn](mailto:vi.truong@yuanta.com.vn)