

**Vietnam: Brokers**

**28 October 2022**

**BUY**

**Target Price upside +59%**

**Close (27 October)**

Price **VND 18,850**  
 12M Target **VND 29,957**

**HCMC Securities (HCM VN)**

**A hedge for underweight portfolios**

3Q22 PATMI reached VND 165bn (-41% QoQ / -48% YoY) on weakness in net brokerage and advisory fees, relatively stable margin finance revenues, and stable net prop trading results. HCM has achieved just 56% of our full-year PATMI forecast, which now appears out of reach.

**Key Highlights**

**Net brokerage income reached VND47bn (-46% QoQ / -73% YoY).** We estimate 3Q22 gross commissions of 17bps (-1bp QoQ / -1bp YoY) and net commissions of 7bps (flat QoQ / -1bp YoY). These estimates are based only on 3Q22 HSX turnover share of 5.6%; HCM did not place in the top-ten for HNX and UPCOM turnover in the quarter.

**3Q22 gross lending income was VND318bn (-3% QoQ/+1% YoY)** as loans fell to VND10.9tn (-3% QoQ/+14% YoY) or 53% of total assets. We estimate 3Q22 loan yields of 11.5% (+130bp QoQ / -190bp YoY). HCM says its NIM is holding up despite increased funding costs.

**Prop trading results steady, advisory evaporates.** Net prop trading gains reached VND86bn (+14% QoQ / -23% YoY), a result that supports management's statements that its trading is geared to support its warrants, futures, and ETF market-making businesses and that it avoids directional trades. Advisory fees were unsurprisingly weak. HCM expects improvement in IB fees in 4Q22, which would be a surprise to us if it occurs given market conditions.

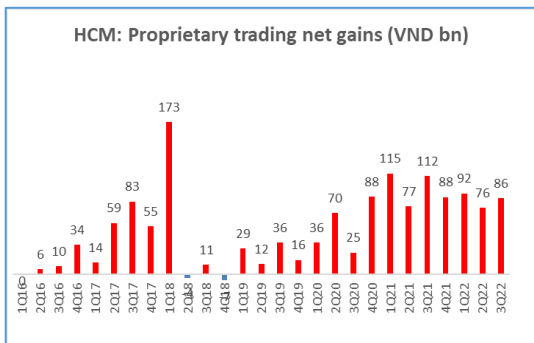
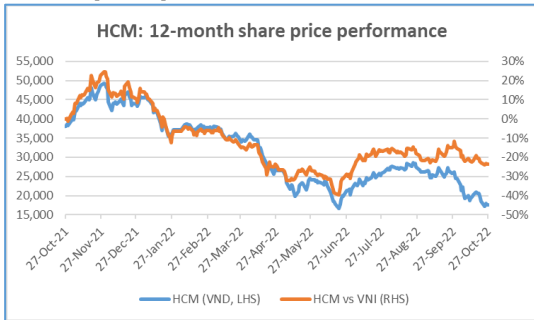
HCM: Results Summary	3Q22 (VND bn)	YoY	QoQ
Gross brokerage income	168	-55%	-29%
Net brokerage income	47	-73%	-46%
Service fees	-4	-148%	-113%
Gross margin income	318	1%	-3%
Prop trading	86	-23%	14%
Gains from AFS assets	0	<i>nmf</i>	<i>nmf</i>
PBT	206	-48%	-41%
<b>Reported PATMI</b>	<b>165</b>	<b>-48%</b>	<b>-41%</b>

Source: Company data, FiinPro

We upgraded the brokerage sector to **Overweight** on June 27 with BUY calls on all four brokers in our coverage, including HCM. That call worked well for several months but the shares have fallen back to YTD low levels in recent weeks along with the collapse in market sentiment.

HCM represents a relatively safe hedge against underweight portfolios. Brokers' share price performance is highly geared to market activity, so if the market posts an unexpected Santa Claus rally, brokers should outperform. In addition, HCM offers an attractive c.50% dividend payout policy; and its balance sheet (e.g., 55% net debt/equity with fully hedged FX exposure) and business operations (e.g., steady prop trading gains, stable margin lending income) reflect a laudable focus on risk management.

**Share price performance relative to VNI**



Market cap	<b>US\$273m</b>
6M avg. daily turnover	<b>US\$5.8m</b>
Outstanding shares	<b>458m</b>
Free float	<b>46%</b>
FINI ownership	<b>40.8%</b>
Major shareholders	<b>54%</b>
3Q22 Net debt/equity	<b>55%</b>
2022E EV/EBITDA	<b>5.3x</b>
2022E P/B	<b>1.0x</b>
2023E PE	<b>6.5x</b>
2022E Dividend yield	<b>6.7%</b>
Trading platform	<b>HOSE</b>
FOL Room	<b>8.2%</b>

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

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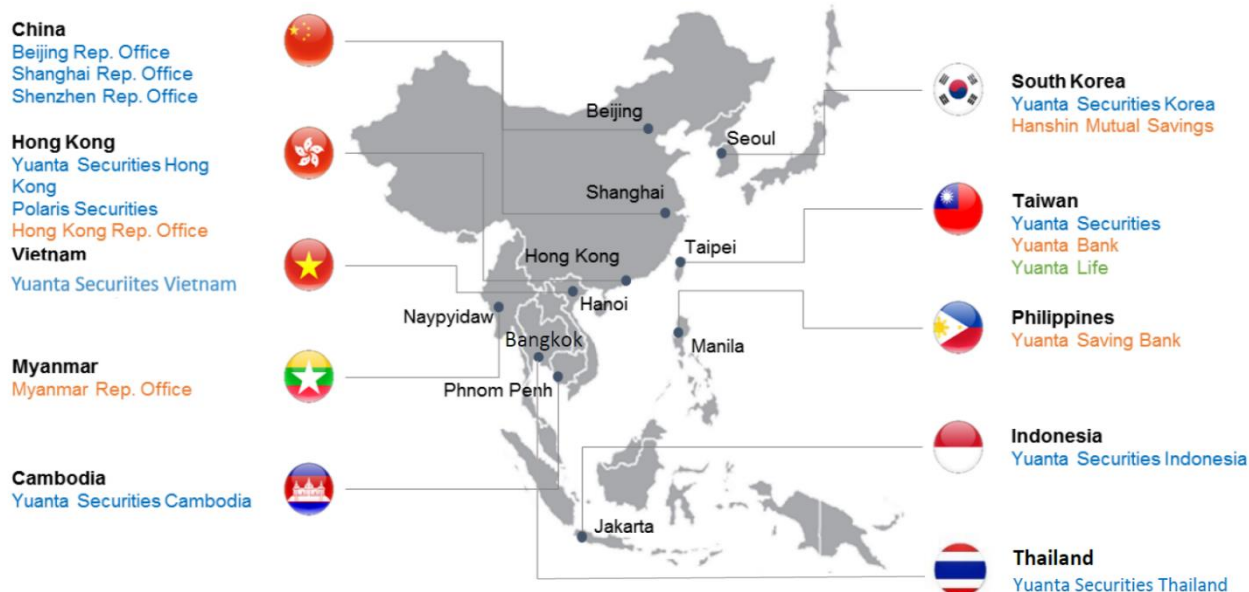
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