

Vietnam: Brokers

31 October 2022

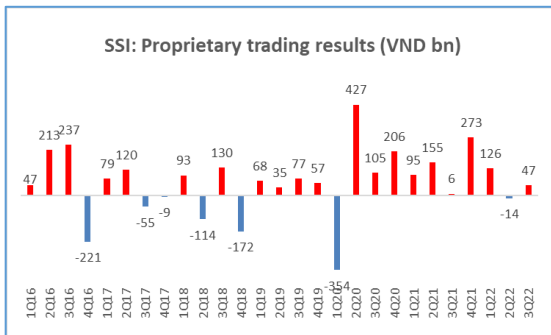
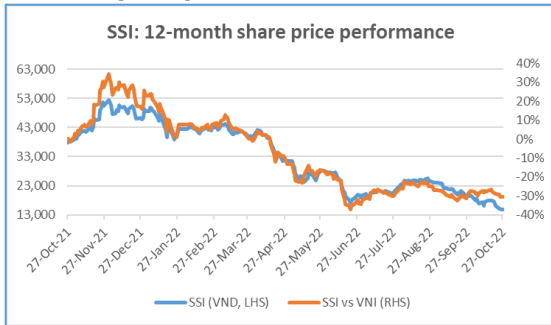
BUY

Target Price upside +60%

Close 31 October

Price VND 16,300
12M Target VND 26.092

Share price performance relative to VNI



Market cap	US\$950m
6M avg. daily turnover	US\$16.4m
Outstanding shares	1,491m
Free float	65%
FINI ownership	34%
Major shareholders	35%
3Q22 Net debt/equity	94%
2022E EV/EBITDA	3.3x
2022E P/B	1.0x
2022E Dividend yield	2.8%
2023E P/E	6.6x
Trading platform	HOSE
FOL Room	No limit

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

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SSI Securities (SSI VN)

Weak markets have driven a derating

SSI posted 3Q22 PATMI of 337bn (-20% QoQ / -51% YoY). YTD, SSI has delivered just 40% of our full-year earnings forecast for 2022, which now appears to be all but impossible to achieve.

Key Highlights

Net brokerage income plummeted by -64% QoQ / -86% YoY to VND 42bn in 3Q22. The decline in gross brokerage fees was less severe (-25% QoQ / -49% YoY), but brokerage expenses didn't fall in line - a pattern that we also noticed in 2Q22. The reasons are unclear to us, but a relatively high fixed staff cost line could be to blame.

We estimate SSI's gross brokerage commissions were 18bp in 3Q22 (-1bp QoQ / flat YoY) **but net commissions fell to just 2bps (-3bp QoQ / -6bp YoY)**. These estimates are based on 3Q22 turnover and SSI's market share on the HSX (9.6%), HNX (6.3%), and UPCOM (6.1%). It's only a single quarter and our estimates could be understated, but our sense is that SSI has shifted back to sacrificing pure brokerage profitability in favor of market share.

Margin lending gross revenues (-16% QoQ / -6% YoY) reached VND406bn, once again by far the largest gross revenue contributor. Margin loans reached VND15.6tn (+6% QoQ / -15% YoY) to account for 34% of SSI's balance sheet and 9.8% market share of total margin loans as at 3Q22. Based on average period-end loans, we reckon yields were 10.7% in 3Q22 (-4bp QoQ / +69bp YoY), implying flattish spreads amid rising funding costs.

Prop trading net gains of VND47bn reversed the loss in 2Q22 and were up 7x YoY off a low base. SSI posted a 3Q22 revaluation markdown of VND69bn offset by realized gains of VND116bn.

SSI	3Q22 (VND bn)	YoY	QoQ
Gross brokerage income	339	-49%	-25%
Net brokerage income	42	-86%	-64%
Service fees	1	-94%	-94%
Gross margin income	406	-6%	-16%
Prop trading	47	635%	nmf
Gains from HTM assets	82	-62%	-34%
PBT	415	-51%	-21%
Reported PATMI	337	-51%	-20%

Source: Company data, FiinPro

We upgraded the sector to Overweight on June 27, with SSI as our top pick. The shares had a nice rally in July-Aug but have since faded along with any semblance of investor confidence.

SSI's balance sheet allocation could be a risk in 4Q22 given that the FVPL book represents 47% of assets (vs 40% at 2Q22 and 29% at 3Q21). Softening margin loan demand and rising bank deposit rates might suggest the potential for a shift to more HTM holdings in 4Q22.

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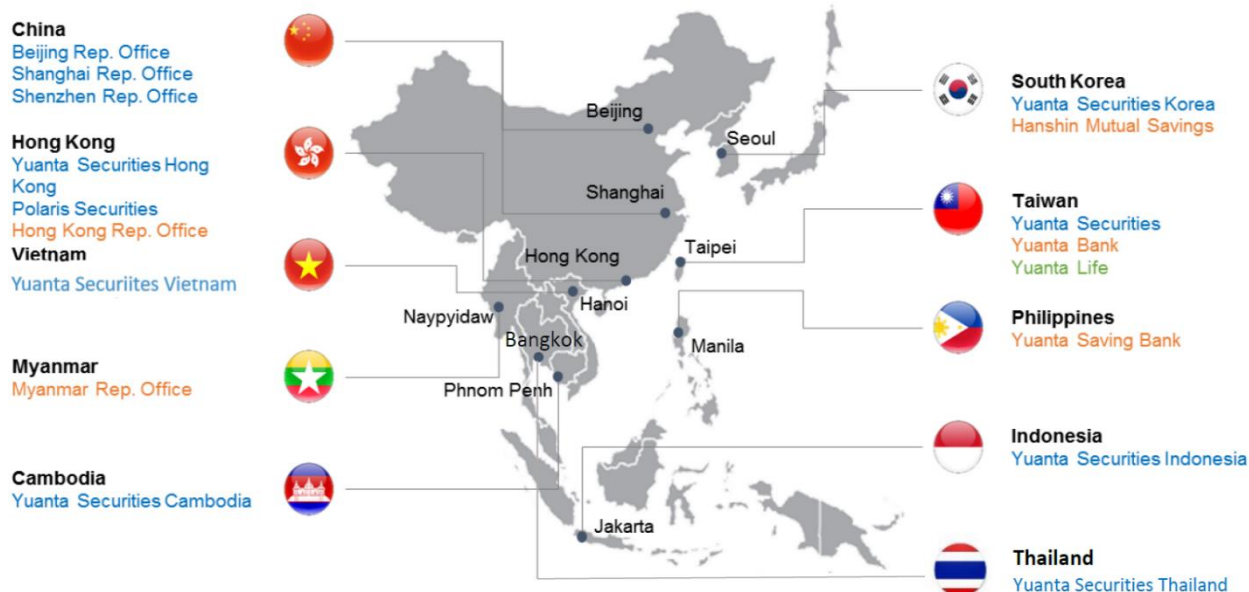
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