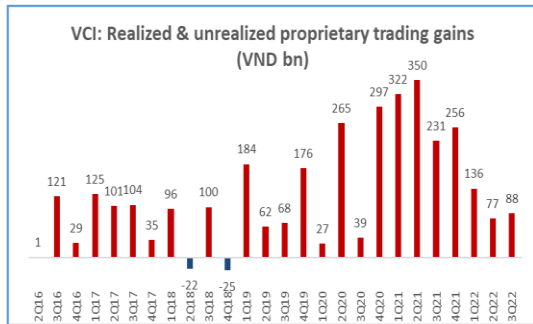
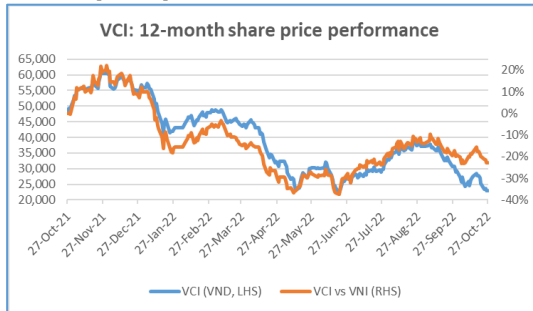


Vietnam: Brokers
1 November 2022
BUY
Target Price upside +69%
Close Oct 31
Price VND 26,200
12M Target VND 44.279
Share price performance relative to VNI


Market cap	US\$430m
6M avg. Daily turnover	US\$7.3m
Outstanding shares	435m
Free float	62%
FINI ownership	17%
Major shareholders	38%
3Q22 Net debt/equity	97%
2022E EV/EBITDA	3.0
2022E P/B	1.5x
2023E P/E	7.3x
2023E Dividend yield	6.5%
Trading platform	HOSE
FOL Room	No limit

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam
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Di Luu

Assistant Analyst

Bloomberg code: YUTA
Vietcapital Securities (VCI VN)
Stuck in the doldrums

VCI posted 3Q22 PATMI of 123bn (-59% QoQ / -63% YoY) as all of the main revenue drivers posted sequential drops in net results except for prop trading, which was still down YoY but saw a marginal QoQ gain. VCI's YTD PATMI has achieved 54% of guidance and 53% of our 2022E forecast. Both full-year targets are now likely out of reach.

Key Highlights

Gross brokerage income was VND140bn (-55% QoQ / -48% YoY) and net brokerage gains were VND28bn (-78% QoQ / +6% YoY) in 3Q22. VCI's net brokerage line is especially lumpy and difficult to interpret; with that caveat, we estimate 3Q22 gross commissions of 18bps and net commissions of 4bps based on HSX market share of 4.5% (VCI did not make the top-ten list for HNX or UCom trading in 3Q22).

Net proprietary trading gains were VND88bn (+13% QoQ/-62% YoY) in 3Q22. Net realized gains were VND159bn (-19% QoQ / -17% YoY), which offset the net unrealized losses of -VND72bn in 3Q22.

Gross margin lending revenues reached VND169bn (-7% QoQ / +8% YoY). Margin loans nudged higher by +3% QoQ / +3% YoY at VND6.6tn (42% of total assets, c.4% market share) as at 3Q22. Based on the average balance sheets, loan yields were 10.4% in 3Q22 (+44bp QoQ / -6bp YoY), implying potential expansion in 4Q22.

IB in the doldrums. Net advisory fees were a modest loss of VND6bn in 3Q22 (vs. net gains of VND20bn in 2Q22 and VND35bn in 3Q21). We didn't get an invite to last week's call despite being the only sell-side analysts covering VCI (source: BBG), so our color is limited. But the earnings release suggests that multiple deals are in the pipeline.

VCI: Results Summary	3Q22 (VND bn)	YoY	QoQ
Gross brokerage income	140	-48%	-55%
Net brokerage income	28	6%	-78%
Service fees	-7	-120%	-136%
Gross margin income	169	8%	-7%
Prop trading	88	-62%	13%
Gains from HTM assets	20	165x	80%
PBT	153	-62%	-57%
Reported PATMI	123	-63%	-59%

Source: Company data, FiinPro

We upgraded the brokerage sector in June with BUY calls on all four brokers in our coverage, including VCI. At this point, market conditions make it difficult to argue in favor of owning a broker given the stocks' high correlation to index levels and turnover.

A potential hedge against a surprise market rally. We believe that VCI could work as a hedge for cash-heavy portfolios, as the stock would likely outperform if the market rebounds (unexpectedly) into yearend. At 1.5x P/B with c.20% ROE, any further downside should be limited.

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.

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