

Vietnam: Brokers

27 July 2023

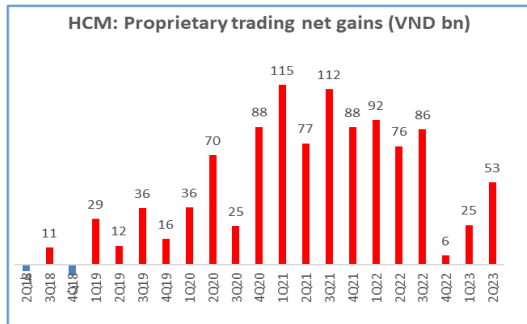
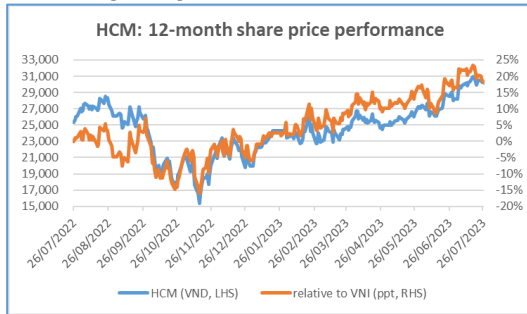
BUY

Target Price upside +11%

Close (July 26)

Price VND 30,350
12M Target VND 33,805

Share price performance relative to VNI



Market cap	US\$588m
6M avg. daily turnover	US\$6.0m
Outstanding shares	536m
Free float	46%
FINI ownership	46%
Major shareholders	54%
2Q23 Net debt/equity	37%
2023E EV/EBITDA	6.0x
2022E P/B	1.8x
2023E PE	19x
2023E Dividend yield	2.6%
Trading platform	HOSE
FOL Room	3.4%

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

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HCMC Securities (HCM VN)

Profitability to improve in 2H23

2Q23 PATMI reached VND 157bn (+27% QoQ / -44% YoY) with the sequential improvement primarily driven by realized prop trading gains. As such, HCM has achieved 49% of its full-year PBT guidance.

Key Highlights

Net brokerage income reached VND36bn (+6% QoQ / -41% YoY). We estimate 2Q23 gross commissions of 17bps (-1bp QoQ & YoY) and net commissions of 4bps (-1bp QoQ / -3bp YoY). These estimates are based only on HCM's 2Q23 HOSE market share of 5.0% (down -134bp QoQ / -60bp YoY).

HCM has not ranked among the top-ten brokers on HNX or UCom for the past 4 quarters. We also note the company's 11% market share of derivatives trading, which means that our gross commission estimate is likely to be slightly overstated.

2Q23 lending revenue was VND231bn (+4% QoQ/-29% YoY). We expect this line to improve in 3Q23 given that end-June loans were VND8.9 trillion (+28% QoQ and 62% of total assets). We estimate 2Q23 loan yields of 11.7%.

Net prop trading gains reached VND53bn (+107% QoQ / -30% YoY). The QoQ growth was driven by a turnaround in realized trading gains. HCM's visible IB / advisory fees remain very low, although the Thaco story suggests some potential for improvement going forward.

HCM: Results Summary	2Q23 (VND bn)	YoY	QoQ
Gross brokerage income	140	-41%	6%
Net brokerage income	36	-59%	6%
Service fees	-5	-116%	37%
Gross margin income	231	-29%	4%
Prop trading	53	-30%	107%
PBT	196	-44%	27%
Reported PATMI	157	-44%	27%

Source: Company data, FiinPro, Yuanta Vietnam

Can HCM deliver? 1H23 PATMI represents just 32% of our full-year forecast, prompting some doubts about HCM's ability to deliver on "consensus" expectations (whatever that means - we are still the only house covering the stock, according to Bloomberg).

We believe that our forecasts are still achievable given our expectation for the bull market to continue in 2H23. HCM is well positioned to expand its margin lending operation while investment banking fees *could* provide an upside kicker in upcoming quarters.

BUT relatively low operating leverage (a function of risk management in areas such as prop trading and greater focus on institutional clients vs. mass retail) **might lead HCM to underperform its peers** in the expected bull market of 2H23. As discussed in detail in [our June 27 brokerage sector report](#), SSI and VCI are our preferred sector picks.

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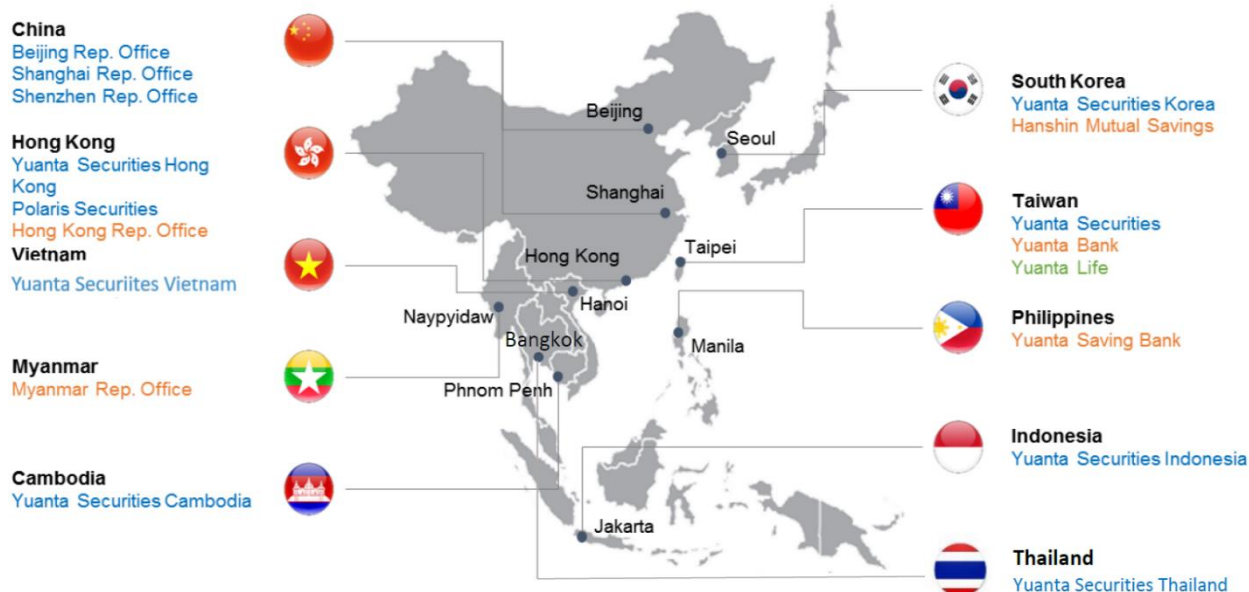
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