

Vietnam: Brokers

1 August 2023

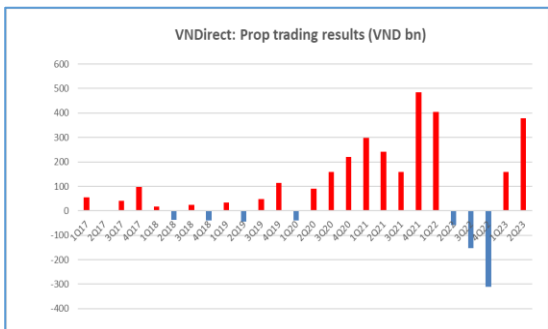
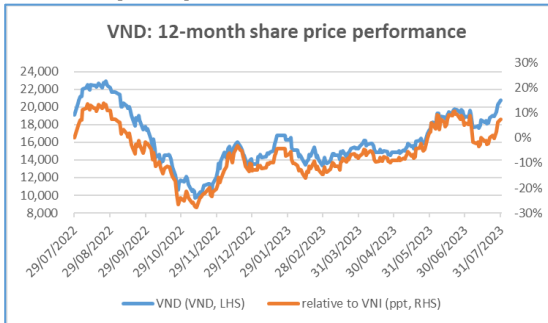
BUY

Target Price upside +15%

Close 31 July

Price **VND 20,800**
 12M Target **VND 24,019**

Share price performance relative to VNI



Market cap	US\$1.1bn
6M avg. daily turnover	US\$16m
Outstanding shares	1,321m
Free float	60%
FINI ownership	24%
Major shareholders	40%
2Q23 Net debt/equity	139%
2023E EV/EBITDA	5.7x
2023E P/B	1.7x
2023E Dividend yield	2.2%
2023E P/E	14.1x
Trading platform	HOSE
FOL Room	No limit

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

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VN Direct Securities (VND VN)

Corporate bonds remain a headwind

2Q23 earnings reached 429bn (+216% QoQ / -6% YoY), the largest sequential earnings improvement among the four brokers in our coverage. VND has delivered 35% of 2023E PAT guidance in 1H23.

Key Highlights

2Q23 net brokerage fees rose +109% QoQ but fell -48% YoY. We estimate gross brokerage commissions were 14bp in 2Q23 (-1bp QoQ / -2bp YoY) with net commissions roughly stable at 5bps (+1bp QoQ / -1bp YoY). These estimates are based on VND's market share of HSX (7.3%), HNX (9.3%), and UPCom (7.1%) trading. VND's HOSE market share was up 47bp QoQ - the only broker in our coverage to see a sequential increase in market share.

Margin lending gross revenues (+10% QoQ / -35% YoY) reached VND274bn. Margin loans of VND9.3tn (+7% QoQ / -20% YoY) represent 22% of total assets and c. 6.6% market share. We reckon VND may seek to increase lending in upcoming quarters given its ample capital base. We estimate yields of 12.1% in 2Q23 (+92bp QoQ / +39bp YoY), which is on the high side vs. peers.

Prop trading net gains of VND379bn (+139% QoQ and a reversal of the loss in 2Q22) was 85% realized gains on asset disposals. FVPL assets of VND20.9tn (50% of the balance sheet) were up +3% QoQ but down -2% YoY.

The FVPL book is where the OTC corporate bonds are sitting -- carried at cost with no mark-to-market (this is true for all the brokers). It appears that no major changes have been recognized, but we will have to wait for the full audited interim financial statements in a few weeks for confirmation.

VNDirect: Results summary	2Q23 (VND bn)	YoY	QoQ
Gross brokerage income	203	-38%	39%
Net brokerage income	72	-48%	109%
Service fees	23	-68%	-855%
Gross margin income	274	-35%	10%
Prop trading	379	<i>nmf</i>	139%
Gains from HTM assets	122	3%	23%
PBT	536	-4%	213%
Reported PATMI	429	-6%	216%

Source: Company data, FiinPro

VND is not one for the faint-of-heart, as discussed in our [June brokerage sector report](#) (see p.19-22 for a discussion of VND's corporate bond exposures). 1H23 PATMI was only 29% of our full-year estimate, but VND's high operational leverage to the ongoing bull market sustains our confidence in its ability to achieve our forecast. We reiterate our BUY call, but admittedly the corporate bond exposure may remain a headwind for the shares.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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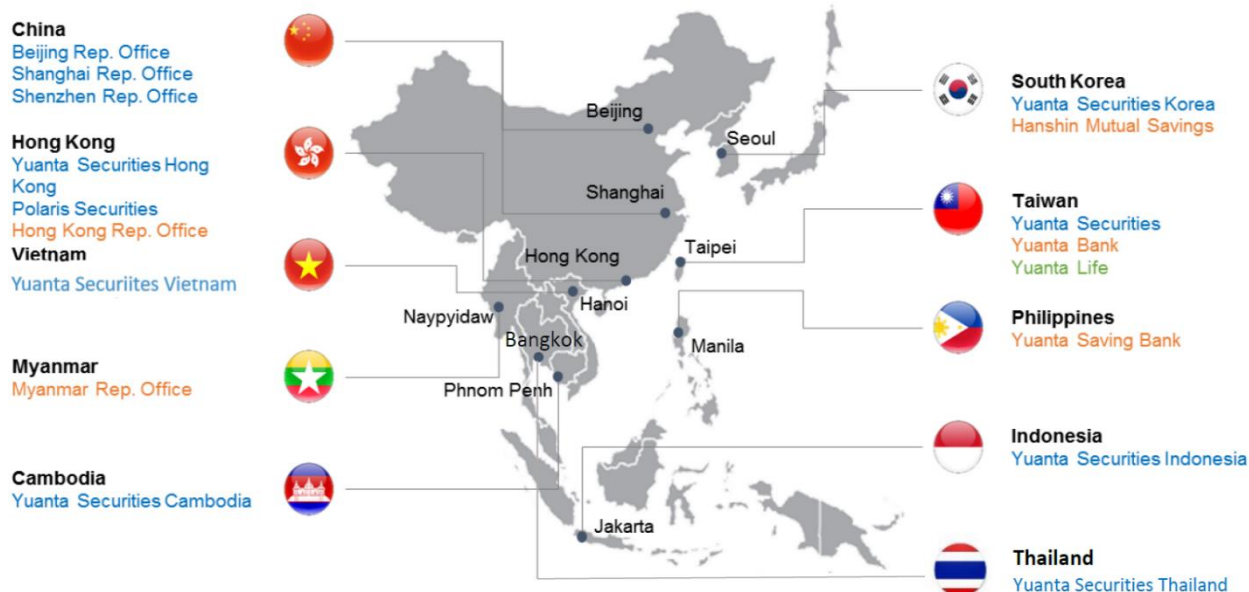
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