

**Vietnam: Brokers**

**25 October 2023**

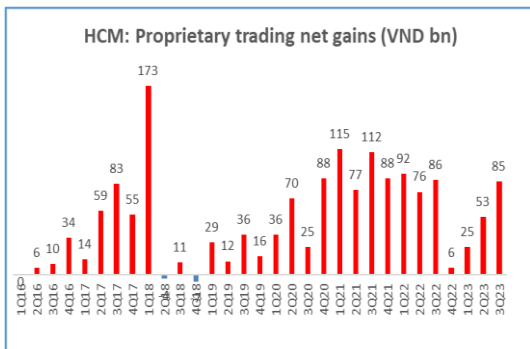
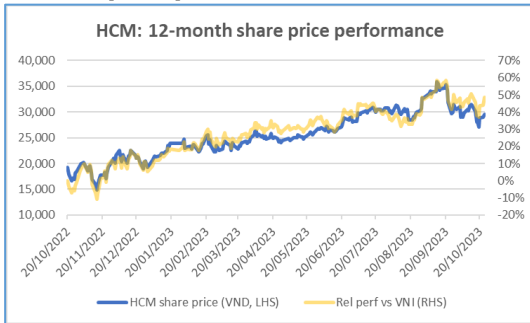
**BUY**

**Target Price upside +15%**

**Close (Oct 25)**

Price **VND 29,500**  
 12M Target **VND 33,805**

**Share price performance relative to VNI**



Market cap	<b>US\$588m</b>
6M avg. daily turnover	<b>US\$7.3m</b>
Outstanding shares	<b>536m</b>
Free float	<b>46%</b>
FINI ownership	<b>44%</b>
Major shareholders	<b>54%</b>
3Q23 Net debt/equity	<b>67%</b>
2024E EV/EBITDA	<b>5.1x</b>
2022E P/B	<b>1.7x</b>
2024E PE	<b>16.5x</b>
2024E Dividend yield	<b>2.8%</b>
Trading platform	<b>HOSE</b>
FOL Room	<b>5%</b>

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

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**HCMC Securities (HCM VN)**

**Low Beta, but still a market proxy**

3Q23 PATMI reached VND 214bn (+36% QoQ / +30% YoY) with the sequential improvement primarily driven by net brokerage fees and margin loan income. HCM has achieved 69% of full-year PBT guidance in 9M23 -- but only 57% of our forecast, which now looks out of reach.

**Key Highlights**

**Net brokerage income was VND87bn (+143% QoQ / +85% YoY).** We estimate 3Q23 gross commissions of 16bps (-1bp QoQ & YoY) and net commissions of 6bps (+2bp QoQ / +1bp YoY) based only on HCM's 3Q23 HOSE market share of 5.1% (up 6bp QoQ / -52bp YoY). Lack of data on HCM's HNX and UPCOM trading in recent quarters likely means that our 3Q23 fee estimates are slightly overstated.

**2Q23 lending revenue was VND292bn (+26% QoQ/-8% YoY)** driven by a sharp increase in loans (+28% QoQ / +37% YoY) to reach VND11.3 trillion, or 68% of total assets as at end-September. We estimate 3Q23 gross margin lending yields were 11.6%, which is basically stable QoQ and YoY.

**Net prop trading gains reached VND85bn (+62% QoQ / -1% YoY).** The QoQ growth was driven by VND60bn in net realized gains (+93% QoQ) and VND25mn in unrealized gains (flat QoQ). The 3Q23 realized vs. unrealized results were almost identical to those of 3Q22. FVPL financial assets were up +16% QoQ / down -5% YoY at VND2.2 trillion, accounting for 13% of total assets at 3Q23.

**Leverage was up but rights issue is pending** approval by the SSC, which management indicates may be coming in the days ahead. On our calculations, net debt to equity was 67% (+30ppt QoQ / +12ppt YoY) as the company tapped short-term funding (largely) to support its margin finance business. The cash position declined (-17% QoQ / -62% YoY) to VND2.5tn, representing 15% of total assets.

HCM: Results Summary	3Q23 (VND bn)	YoY	QoQ
Gross brokerage income	224	33%	60%
Net brokerage income	87	85%	143%
Service fees	-2	-49%	-58%
Gross margin income	292	-8%	26%
Prop trading	85	-1%	62%
PBT	266	29%	36%
<b>Reported PATMI</b>	<b>214</b>	<b>30%</b>	<b>36%</b>

Source: Company data, FiinPro, Yuanta Vietnam

**Relatively low-Beta pick in a high-Beta sector.** Management states that they don't engage in directional bets in their prop trading, and their results consistently back that statement up. HCM's top-2 franchise with institutional investors means a relatively stable source of brokerage revenues, and its overall market share is typically higher when markets are soft.

**But it's still a market proxy.** A sector laggard during the June-Sept boom, HCM has held up relatively well in the recent market correction and is still up +77% YoY (beating the VNI by +49ppt in that period). Whether one agrees with our BUY call should depend on one's overall market view going forward.

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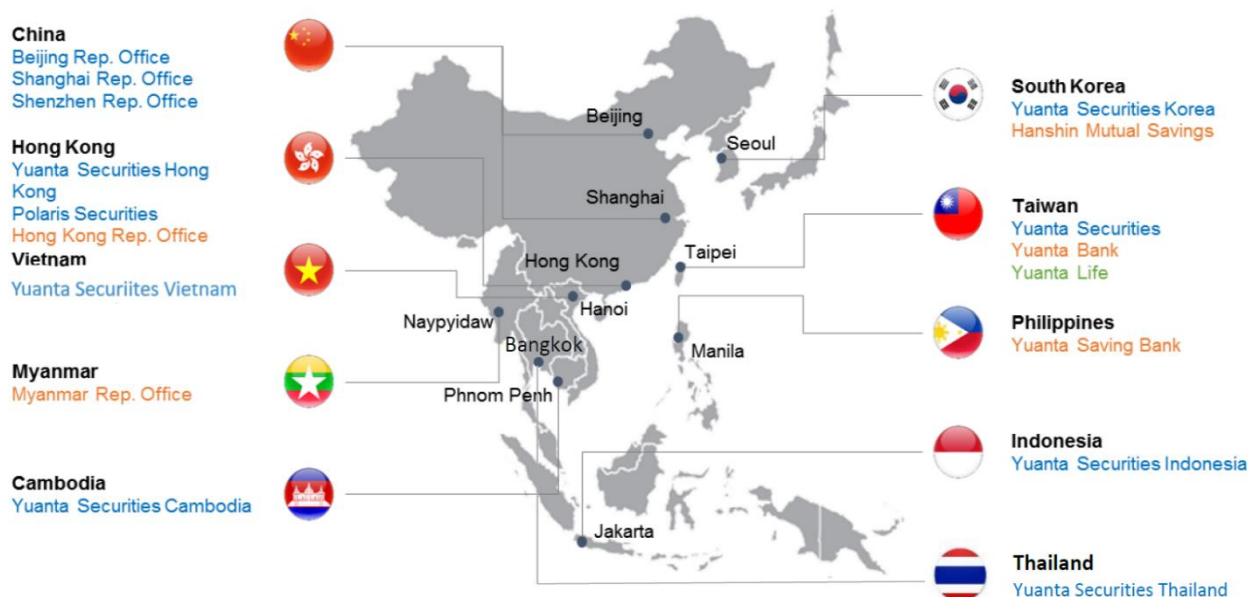
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