

Vietnam: Brokers

26 October 2023

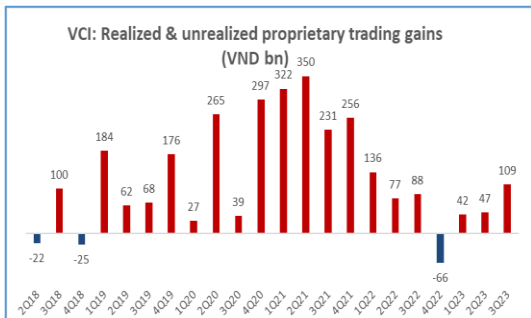
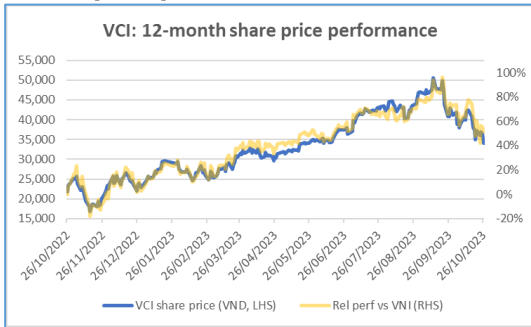
BUY

Target Price upside +34%

Close of 26 October

Price **VND 34,000**
 12M Target **VND 45,580**

Share price performance relative to VNI



Market cap	US\$646m
6M avg. Daily turnover	US\$8.5m
Outstanding shares	435m
Free float	62%
FINI ownership	23%
Major shareholders	38%
3Q23 Net debt/equity	60%
2024E EV/EBITDA	5.8x
2023E P/B	2.1x
2024E P/E	12.6
2024E Dividend yield	3.4%
Trading platform	HOSE
FOL Room	No limit

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

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Vietcap Securities (VCI VN)

Falling knives aside, 3Q PATMI was solid

3Q23 PATMI reached 179bn (+53% QoQ / +46% YoY). Brokerage and margin lending revenues were relatively flat sequentially, but QoQ earnings expanded anyway, largely on FVPL disposals. As such, VCI has delivered just 42% of full-year PBT guidance and 36% of our forecast in 9M23.

Key Highlights

Gross brokerage revenue was VND590bn (+14% QoQ / -55% YoY) and net brokerage fees reached VND42bn (-17% QoQ / +50% YoY). We estimate 3Q23 gross fees were 14bps and net commissions were 4bps (+2bp QoQ / flat YoY), based on VCI's 3Q23 market share of 4.0% on HSX and 6.6% on UPCOM (VCI has not been among the top-ten HNX brokers since 4Q20).

Gross margin lending revenues reached VND177bn (+4% QoQ / +5% YoY), again a surprisingly soft figure relative to the other brokers in 3Q23. 3Q23 loans reached VND5.8tn (up +7% QoQ but down -13% YoY) to account for 34% of total assets and around 3.5% market share. We estimated loan yields were 12.7% in 3Q23 (-25bp QoQ / +226bp YoY), which remains the highest that we have seen among the brokers that we cover.

Net prop trading gains reached VND109bn (+133% QoQ / +25% YoY), driven by realized gains of VND113bn (+49% QoQ / -29% YoY) and a modest revaluation loss of VND4bn in 3Q23. VCI's proprietary trading position of VND1.1tn (+102% QoQ but -19% YoY) was just 7% of total assets and remains the lowest relative allocation among the brokers in our coverage.

Available-for-sale assets grew +13% QoQ / 52% YoY to reach VND6.7 trillion, or 39% of total assets. VCI's stake in UPCOM-listed IDP (Not Rated) is booked under AFS assets, which means that unrealized market valuations are reflected only on the balance sheet. A rather illiquid stock, IDP soared by 67% in 1H23 but then fell by 17% QoQ in 3Q23. Total asset revaluation gains on the balance sheet thus fell by 13% QoQ to reach VND1.7 trillion.

VCI: Results Summary	3Q23 (VND bn)	YoY	QoQ
Gross brokerage income	160	14%	14%
Net brokerage income	42	50%	-17%
Service fees	-11	44%	66%
Gross margin income	177	5%	4%
Prop trading	109	25%	133%
Gains from AFS assets	57	158016%	-6%
Gains from HTM assets	10	-50%	-58%
Reported PATMI	179	46%	53%

Source: Company data, FiinPro

Tough days for brokerage stocks. The stock was a three-bagger from the trough of VND16,903 in Nov 2022 to the peak of VND50,500 on Sept 12, but it has since given back 33% to the Oct 26 close. We would be happy to wager that today's nearly down-limit share price performance had precisely zero to do with 3Q23 results. The broker stocks are all market proxies, but VCI's leading IB and institutional broking franchise remain attractive (details [here](#)).

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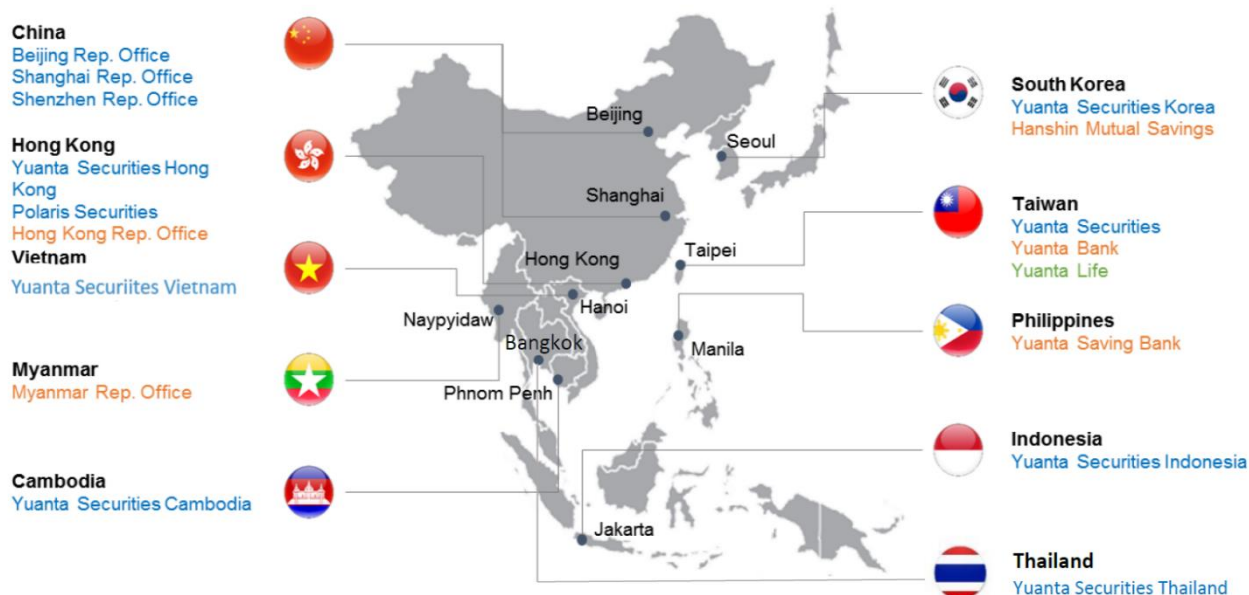
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