

Vietnam: Brokers

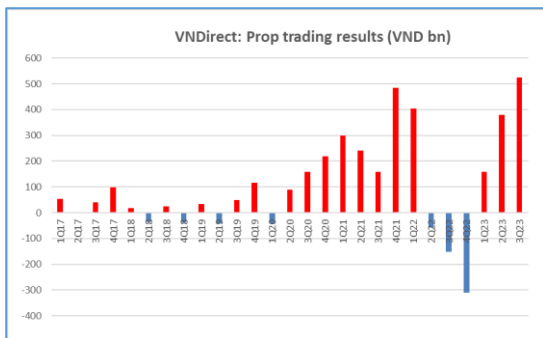
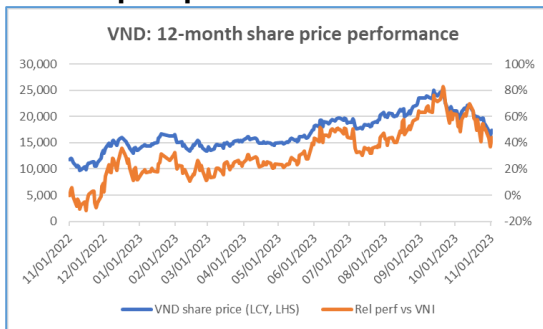
2 November 2023

BUY

Target Price upside +38%

Price (Nov 1) VND 17,350
12M Target VND 24,019

Share price performance relative to VNI



Market cap	US\$880mn
6M avg. daily turnover	US\$25m
Outstanding shares	1,321m
Free float	60%
FINI ownership	23%
Major shareholders	40%
3Q23 Net debt/equity	131%
2023E EV/EBITDA	4.3x
2023E P/B	1.4x
2024E Dividend yield	2.7%
2024E P/E	12.3x
Trading platform	HOSE
FOL Room	No limit

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

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VN Direct Securities (VND VN)

3Q23 boosted by realized trading gains

3Q23 earnings soared by 49% QoQ / 15x YoY to reach 639bn, an impressive growth number that was driven by realized prop trading gains along with strong margin lending and treasury revenues. The broker has delivered 75% of its 2023E PAT guidance and 62% of our forecast in 9M23.

Key Highlights

3Q23 net brokerage fees rose +48% QoQ / +19% YoY. We estimate gross brokerage commissions were 13bp in 2Q23 (-1bp QoQ / -3bp YoY) with net commissions roughly stable at 5bps (flat QoQ / -1bp YoY), based on VND's 3Q23 market share on HSX (7.2%), HNX (9.6%), and UPCOM (6.9%).

Margin lending gross revenues (+31% QoQ / -5% YoY) reached VND358bn. Margin loans totaled VND10.9tn (+18% QoQ / -15% YoY) representing 26% of total assets and a steady c. 6.6% market share. Using quarterly balance sheets to estimate average margin loans, we estimate a gross lending yield of 14.1% in 3Q23, which appears to be very high (vs. 12% for peers) but is likely skewed to the high side by quarter-end downsizing of margin loans.

Prop trading net gains soared to a record high of VND525bn (+38% QoQ and a reversal of the VND152bn net loss in 3Q22). Notably, 88% of this was from realized gains on asset disposals. FVPL assets (including the corporate bonds) reached VND19.9tn (-8% QoQ / +6% YoY) or 46% of total assets.

Corporate bonds are carried at cost despite being classified as Held-for-Trading. We did not expect and did not receive a detailed breakdown of these assets in 3Q23. However, VND reduced the level of their FVPL asset disclosure in the interim 1H21 financial statements to only report listed and unlisted bonds. The unlisted portion of the bonds very likely includes around VND7-8 trillion (c.17-19% of total 3Q23 assets) of corporate (i.e., nonbank) bonds.

VNDirect: Results summary	3Q23 (VND bn)	YoY	QoQ
Gross brokerage income	301	19%	48%
Net brokerage income	122	16%	70%
Service fees	-4	-51%	-118%
Gross margin income	358	-5%	31%
Prop trading	525	nmf	38%
Gains from HTM assets	149	24%	22%
PBT	792	15x	48%
Reported PATMI	639	15x	49%

Source: Company data, FiinPro

VND is not one for the faint-of-heart, as discussed in our [June brokerage sector report](#). So far this year, the company has come closest to delivering on full-year guidance and our forecasts of any broker in our coverage. This positive P&L momentum should justify our BUY call, although investors may be wise to await an upturn in domestic investor sentiment.

The corporate bond exposure may remain a headwind regardless of stock market conditions. Changing reporting methods amid a corporate bond crisis is rarely a good look, so we await clarity from VND on how this has developed.

ANALYST CERTIFICATION AND IMPORTANT DISCLOSURES ARE LOCATED IN APPENDIX A.

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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.

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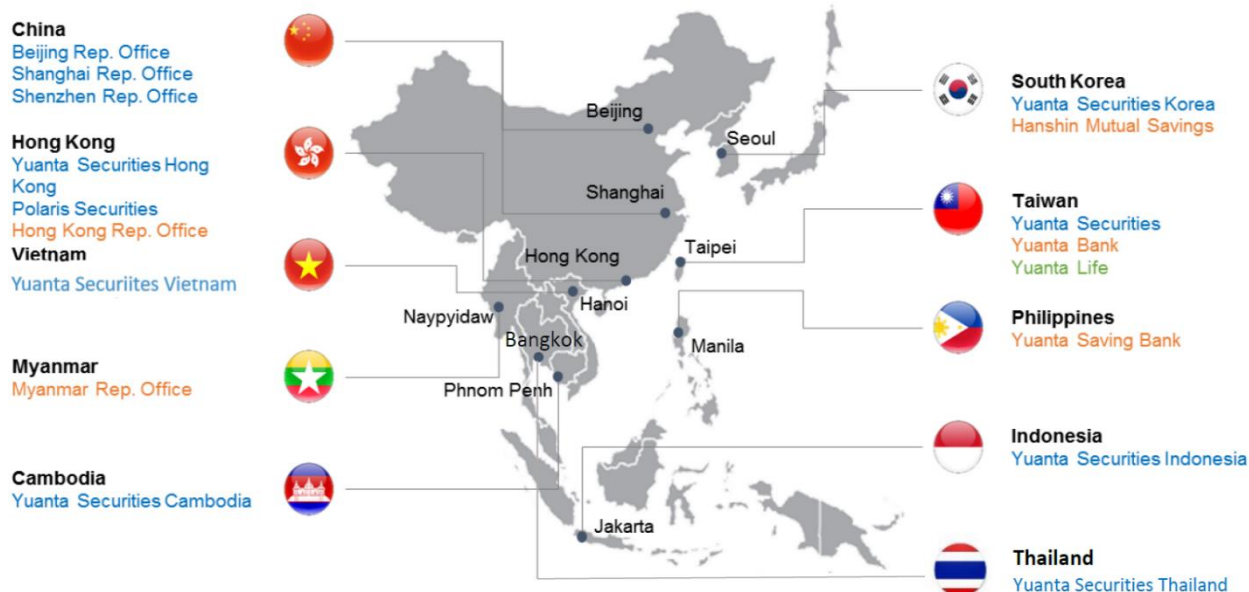
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