

Vietnam: Brokers

29 July 2024

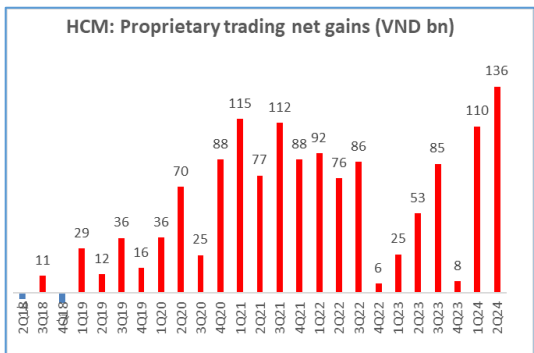
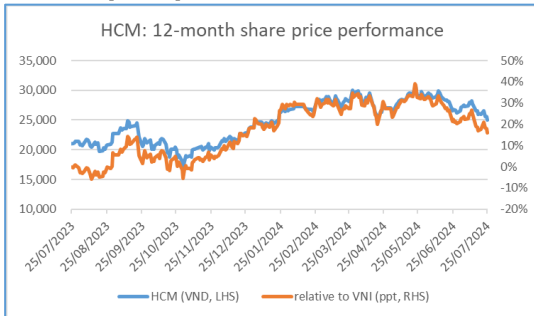
BUY

Target Price upside +11%

Close (July 29)

Price **VND 25,650**
 12M Target **VND 28,524**

Share price performance relative to VNI



Market cap	US\$713m
6M avg. daily turnover	US\$8.7m
Outstanding shares	704m
Free float	46%
FINI ownership	45%
Major shareholders	54%
2Q24 Net debt/equity	128%
2024E EV/EBITDA	5.9x
2024E P/B	1.7x
2025E PE	16.5x
2025E Dividend yield	2.6%
Trading platform	HOSE
FOL Room	4%

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

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HCMC Securities (HCM VN)

Margin lending soared in 1H24

2Q24 PATMI expanded (+11% QoQ / +97% YoY) to reach VND 309bn on strong growth in margin lending and solid prop trading results during the quarter. HCM has achieved 51% of their 2024 PAT target and 57% of our full-year forecast in the first six months of the year -- a solid result overall.

Key Highlights

Net brokerage income was VND85bn (-2% QoQ / +30% YoY). We estimate 2Q24 gross commissions were 14bps (flat QoQ / -3bp YoY) and net commissions were 5bps (-flat QoQ / +1bp YoY) based on HCM's 2Q24 market share of 6.4% on HSX (up 49bp QoQ / +1.4ppt YoY) and 3.2% on UPCom. HCM did not rank in the top-10 brokers on HNX (it rarely does in recent quarters), so our commission rate estimates are probably a bit high.

2Q24 lending revenue was VND386bn (+14% QoQ / +67% YoY). Margin loans (+28% QoQ / +37% YoY) reached VND18.5 trillion, or 67% of total assets. That represents c.8.6% market share, which would make HCM the No.3 margin finance player in the sector as of 2Q24. 2Q24 margin lending yields were 9.4% (down -0.9ppt QoQ and -2.3ppt YoY) using 1Q and 2Q balance sheets to estimate average loans in the second quarter. The sharp decline could be due to actual margin loan pricing, but we suspect that balance sheet timing skews this result to the downside.

Net prop trading gains reached VND136bn (+12% QoQ / +97% YoY). HCM reported net realized gains of VND115bn (+18% QoQ / +6x YoY) and VND21mn in unrealized mark-to-market gains (+73% QoQ / -36% YoY). FVPL assets were VND5.9 trillion (up +160% QoQ / +217% YoY) to reach VND5.9 trillion or 21% of total assets -- the highest prop book weighting since 4Q20 (when it was 25% of total assets).

HCM: Results Summary	2Q24 (VND bn)	YoY	QoQ
Gross brokerage income	253	30%	13%
Net brokerage income	85	47%	-2%
Service fees	37	<i>nmf</i>	<i>nmf</i>
Gross margin income	386	67%	14%
Prop trading	136	159%	24%
PBT	386	97%	12%
Reported PATMI	309	97%	11%

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. Two decades of brokerage employment has taught us to be skeptical of such statements, but HCM's results historically have been relatively stable. We were not invited to their 2Q results call despite being the only sell-side analyst covering the stock, so we have no further color on the increased weighting of FVPL assets.

But it's still a market proxy. We are tactically cautious on the market as a strategy call, implying that 3Q24 may see better entry opportunities for investors with interest in the brokers.

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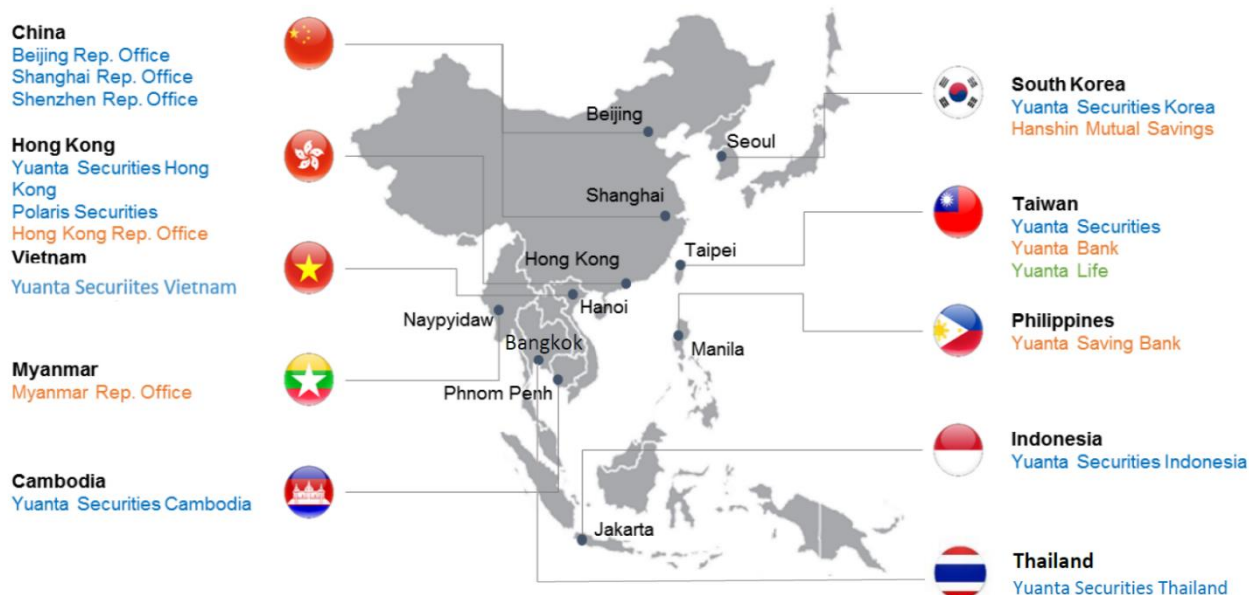
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