

Vietnam: Brokers

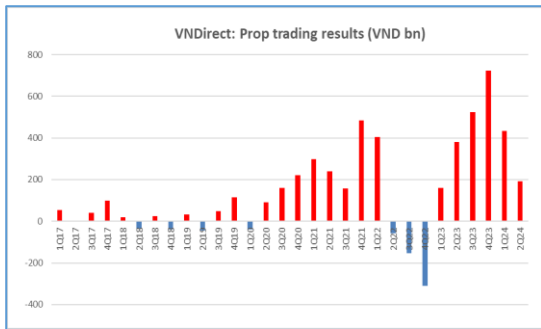
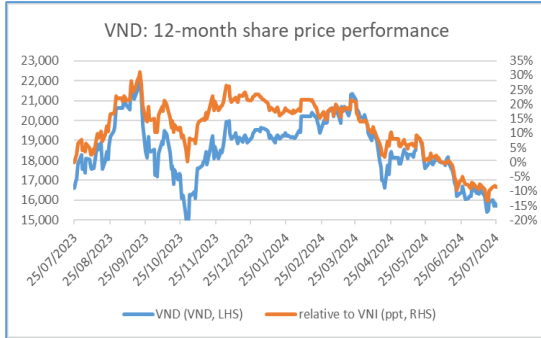
26 July 2024

BUY

Target Price upside +30%

Price (July 25) VND 15,700
12M Target VND 20,449

Share price performance relative to VNI



Market cap	US\$941mn
6M avg. daily turnover	US\$17m
Outstanding shares	1,522m
Free float	75%
FINI ownership	12%
Major shareholders	25%
2Q24 Net debt/equity	117%
2023E EV/EBITDA	5.4x
2024E P/B	1.3x
2024E Dividend yield	3.4%
2025E P/E	13.0x
Trading platform	HOSE
FOL Room	No limit

Source: Bloomberg, FiinPro, Company data, Yuanta Vietnam

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VN Direct Securities (VND VN)

Stormy weather, but still on course

2Q24 earnings fell by -44% QoQ / -21% YoY to reach 345mn, a decent number considering the events that transpired during the period. VND has delivered 48% of its 2024E PAT guidance and 74% of our full-year forecast in 1H24, largely due to the far stronger results of 1Q24.

Key Highlights

2Q24 gross brokerage fees fell by -20% QoQ / -10% YoY in what was obviously a tough quarter for VND. We estimate gross brokerage commissions were a record low 9bp in 2Q24 (-4bp QoQ / -5bp YoY) although this estimate may be skewed downward by VND's troubles during the quarter.

Net brokerage fees fared better (-1% QoQ / +17% YoY). Estimated net commissions were thus relatively stable at 4bps (down from 5bp in both 1Q24 and 2Q23). These estimates are based on VND's P&L results and 2Q24 market share on HSX (6.5%), HNX (7.8%), and UPCOM (4.6%).

Margin lending gross revenues (-5% QoQ / +9% YoY) reached VND299bn. Margin loans totaled VND11.2tn (+13% QoQ / +22% YoY), representing 25% of total assets and roughly 5% market share. We estimate gross yields of 11.3% in 2Q24 (-1.2ppt QoQ / -0.8ppt YoY).

Net prop trading gains (-56% QoQ / -50% YoY) reached VND191bn in 2Q24. Disposal gains of VND365bn (+23% QoQ / +13% YoY) were offset by unrealized losses of VND174bn vs. revaluation gains in 1Q24 & 2Q23. FVPL assets reached VND21tn (+28% QoQ / +1% YoY) or a very substantial 47% of total assets. We could be wrong, but we believe that this still includes c.VND7-8tn (c.16-17% of assets) of corporate bonds that are carried at cost.

VNDirect: Results summary	2Q24 (VND bn)	YoY	QoQ
Gross brokerage income	182	-10%	-20%
Net brokerage income	84	17%	-1%
Service fees	24	5%	78%
Gross margin income	299	9%	-5%
Prop trading	191	-50%	-56%
Gains from HTM assets	116	-5%	-19%
PBT	426	-21%	-44%
Reported PATMI	345	-20%	-44%

Source: Company data, FiinPro

Is it a good time to buy the brokers? Admittedly, VND's 1H24 earnings have crushed our forecasts, which are now under review. But if our cautious near-term market strategy outlook is right, punting on a broker -- essentially, a leveraged market proxy -- may not be an optimal strategy in 3Q24.

VND is not one for the faint-of-heart, as discussed in our (overdue for a refresh) [sector report](#) last year. Anecdotal evidence suggests that the recent IT-related issues have captured investor mindshare regarding VND. But our view is that markets have short memories; and this, too, shall pass. VND faces perhaps greater risk from the competition -- especially market disruptors VPS and TCBS.

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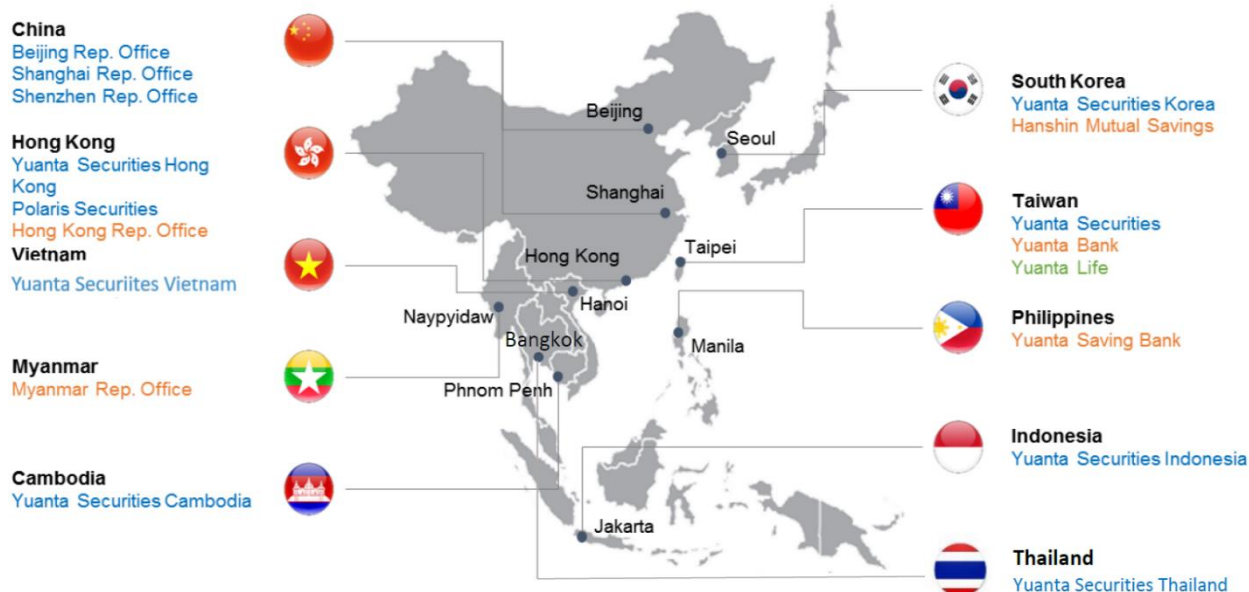
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