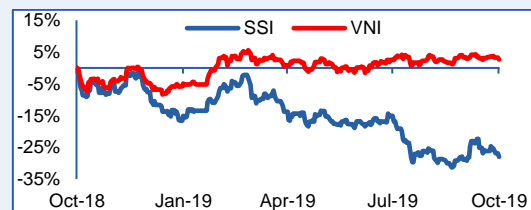


SSI Securities Corporation (SSI)

Earnings Flash

Industry:	Brokerage		2018	9M 19	2019F
Report Date:	October 31, 2019	Revenue y/y	26.7%	-16.6%	-3.5%
Current Price:	VND21,350	NPAT (VND bn)	1,303	687	1,268
Current Target Price:	VND28,200	NPAT y/y	12.2%	-37.3%	-2.7%
Upside:	32.1%	GPM	55.0%	66.4%	69.2%
Dividend yield:	4.7%	NPM	35.5%	29.5%	35.8%
TSR:	36.8%	Div/Sh (VND)	1,000	N/A	1,000
Rating:	BUY	P/B	1.2x	1.1x	1.1x



Market Cap:	USD466mn		SSI	Peers	VNI
Foreign Room:	USD202mn	P/E (ttm)	12.1x	10.2x	16.6x
ADTV30D:	USD1.0mn	P/B (curr)	1.1x	1.1x	2.4x
State Ownership:	0%	ROE (ttm)	9.3%	13.1%	14.8%
Outstanding Shares:	508 mn	ROA (ttm)	3.6%	7.1%	2.5%
Fully Diluted Shares:	508 mn	Net debt/MCap (ttm)	132.5%	53.1%	N/A

Company overview

SSI has consistently been a leading stockbroker over the last five years with operations spanning brokerage, principal investments, asset management and investment banking. SSI was established in 1999 and as of YE2018 employed 1,026 people with offices in five cities across Vietnam.

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Sector-wide difficulties remain in Q3; guidance revised

SSI released consolidated results for 9M 2019 with net income totalling VND687bn (USD29mn, -37.3% YoY), which achieved 54% our FY2019 forecast. Q3 2019 net income stood at VND269bn (USD12mn, -28.8% YoY). Annualized 9M 2019 ROE and ROA stood at 9.7% (-6.4 pts YoY) and 3.7% (-3.2 pts YoY), respectively. Therefore, we see downside risk to our earnings forecasts and/or target price, pending a fuller review.

- 9M 2019 operating income stood at VND2.3tn (USD100mn, -16.6% YoY), which achieved 66% our FY2019 forecast. Gains from HTM securities acted as a supporting factor for operating income with 47.1% YoY growth to VND738bn/USD32mn, which achieved 71% our FY2019 forecast. We continue to believe the large HTM balance will partially compensate for falls in FVTPL/AFS and brokerage revenue.
- The surge in 9M 2019 borrowing costs, which achieved 80% our FY2019 forecast, and the dominant item of interest expenses for short-term loans, materially offset the positive effect of HTM securities gains and allowed weakness from the brokerage arm to flow to the bottom line.
- Our estimated 9M 2019 commission rate was unchanged YoY at 20 bps. The implied commission rate for first three quarters was 21 bps, 20 bps and 19 bps, in chronological order. SSI's published trading value dropped 53.9% YoY in 9M 2019, in line with the drop in brokerage revenue (-53.5% YoY).
- We see a build-up of positions in unlisted bonds and other securities in FVTPL assets (+137% YTD to VND1.3tn/USD57mn), signifying an increased focus on SSI building its corporate bond business.

BOD revised down its 2019 revenue and PBT targets. The BOD's move acknowledges industry difficulties affecting other brokers such as HSC and VND that have only met 45% and 50% of their AGM PBT guidance, respectively, as of the end of Q3 2019. The BOD revised down its 2019 revenue target by 22% to VND2.95tn/USD127mn (implying a 19.7% YoY drop) and PBT target by 35% to VND1.1tn/USD47mn (implying a 32.2% YoY drop). The new guidance is achievable, in our view, given consolidated 9M 2019 revenue/PBT accomplished 79%/77% of guidance.

Underlying turnover characteristic of Q3 2019 prompts us to lower the probability of a 2020 rebound in turnover. Although average daily turnover on the three trading venues increased from USD192mn to USD211mn from Q2 to Q3 2019, this increase was accompanied by an increase in put through activity that exhibited characteristics of internal trades. Another detracting feature of the last quarter was that foreign participation as a percentage of the overall market declined from 16.3% in Q2 to 12.5% in Q3 2019. While the overall macro backdrop in Vietnam is positive, we

believe there is no flow through to the cash equities market in terms of creating a tailwind for turnover value. Instead, our view is that positive change can only come from increased international investor interest in frontier/emerging markets. A turnaround in sentiment at present is not readily identifiable.

SSI's consolidated Q3 2019 results

	9M 2018	9M 2019	YoY	Q3 2018	Q3 2019	YoY
Operating income	2,794.8	2,331.4	-16.6%	874.2	850.9	-2.7%
Gains from FVTPL	540.7	461.6	-14.6%	169.8	181.2	6.7%
Gains from HTM	501.9	738.2	47.1%	191.8	269.2	40.3%
Gains from AFS	72.4	43.8	-39.5%	17.2	13.2	-23.3%
Margin lending revenue	537.6	515.2	-4.2%	156.3	180.3	15.4%
Brokerage revenue	930.9	432.7	-53.5%	222.5	148.0	-33.5%
Commission rate	20 bps	20 bps	0 bps	23 bps	19 bps	-4 bps
IB revenue	130.3	68.9	-47.2%	93.8	40.6	-56.7%
Others	80.9	71.1	-12.1%	22.9	18.5	-19.1%
Operating expenses	1,175.2	782.6	-33.4%	238.1	274.7	15.4%
Loss from FVTPL	400.4	237.5	-40.7%	35.6	93.3	161.9%
Expenses for brokerage	608.0	395.4	-35.0%	151.2	129.1	-14.6%
Others	166.8	149.8	-10.2%	51.3	52.3	2.1%
Financial income	185.7	39.3	-78.8%	18.7	19.9	6.4%
Gains from divestments	162.2	25.2	-84.5%	11.8	15.4	30.0%
Financial expenses	389.4	603.1	54.9%	144.0	221.3	53.7%
Borrowing costs	382.5	588.5	53.9%	137.6	215.8	56.8%
G&A expenses	116.1	147.6	27.1%	42.8	44.9	5.0%
Gross operating profit	1,619.6	1,548.8	-4.4%	636.2	576.2	-9.4%
PBT	1,354.8	842.6	-37.8%	468.8	332.3	-29.1%
NPAT	1,095.0	687.1	-37.3%	377.8	268.9	-28.8%
Margin lending book	5,429.2	5,365.6	-1.2%	5,429.2	5,365.6	-1.2%
GPM %	58.0%	66.4%	8.4 ppts	72.8%	67.7%	-5.1 ppts
NPM %	39.2%	29.5%	-9.7 ppts	43.2%	31.6%	-11.6 ppts

Source: SSI & VCSC, units are in VND bn unless otherwise stated.

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