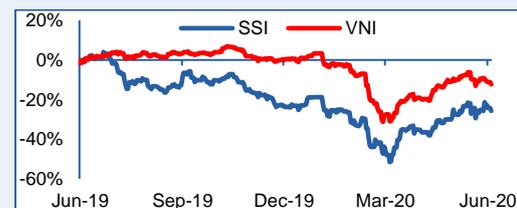


Industry:	Brokerage		2019	2020F	2021F	2022F
Report Date:	June 29, 2020	Revenue y/y	-11.9%	7.0%	1.6%	7.1%
Current Price:	VND15,500	NPAT (VND bn)	907	849	986	1,132
Current Target Price:	VND13,600	NPAT y/y	-30.4%	-6.4%	16.2%	14.8%
Upside to TP:	-12.3%	EPS y/y	-26.5%	-8.0%	15.9%	14.8%
Dividend Yield:	6.5%	GPM	63.8%	62.0%	64.1%	65.5%
TSR:	-5.8%	NPM	28.0%	24.5%	28.0%	30.0%
Rating:	MARKET PERFORM	P/B	1.0x	1.0x	0.9x	0.9x
		P/E	10.3x	11.0x	9.4x	8.2x



			SSI	Peers	VNI
Market Cap:	USD400mn	P/E (ttm)	13.0x	10.7x	14.1x
Foreign Room:	USD200mn	P/B (curr)	1.0x	0.9x	1.9x
ADTV30D:	USD4.1mn	ROE (ttm)	7.7%	10.8%	13.5%
State Ownership:	0%	ROA (ttm)	2.7%	3.9%	2.4%
Outstanding Shares:	601 mn	Net debt/Equity (ttm)	187%	57%	N/A
Fully Diluted Shares:	603 mn				

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 at YE2019 employed 966 people with offices in five cities across Vietnam.

H1 2020 PBT to achieve 76% of full-year guidance

- We attended SSI's AGM on June 27, 2020. The main agenda was to re-elect three existing members to the BOD for a new five-year term and to approve a change of SSI's organizational structure with the dismissal of the Supervisory Board and establishment of the Audit Committee. Mr. Nguyen Duy Hung, Mr. Hironori Oka and Mr. Nguyen Duy Khanh were re-elected to the BOD.
- The Q&A session, which was hosted solely by the Chairman cum CEO, focused on updates regarding SSI's performance and outlook as well as the overall brokerage sector. There was no mention of SSI's steps to comply with Decree 71/2017/ND-CP to separate the role of Chairman and CEO starting this August.
- The AGM set consolidated revenue guidance of VND2,750bn (USD118mn; -15% YoY) and consolidated profit before tax (PBT) of VND868bn (USD37mn; -21% YoY).
- A cash dividend of VND1,000/share will be distributed from FY2019 earnings.
- FY2020's ESOP was capped at a maximum 7.5 million shares (1.2% of outstanding shares) — exercisable at a cost of VND10,000/share and expected to be issued within 2020. The lock-up period is for three years — with 50% to be vested after the second year and the remaining after the third year.
- We currently have a MARKET PERFORM rating on SSI with a target price of VND13,600/share.

2020 PBT guidance is 16% lower than our forecast. Our current 2020F PBT is VND1,034bn vs guidance of VND868bn (please see more details in our Update Report, [Ease in FVTPL losses to support FY2020 earnings](#), dated May 29, 2020). At the AGM, the Chairman claimed that H1 2020 PBT will be VND660bn (+29% YoY), achieving 76% of the company's full-year guidance and 64% of our forecast. We expect strong Q2 results will be mainly derived from an ease in losses from financial assets at fair value through profit and loss (FVTPL) as SSI built up its FVTPL position in Q1 2020 and as the VN-Index has recovered 30% from the end of March 2020 (as of June 26, 2020). The divestment of Dabaco (DBC) will also support for Q2 2020 results, in our view. The Chairman claimed that SSI will surpass 2020 guidance if there is no severe disruption to market sentiment for the remainder of 2020.

The Chairman expects that retail clients will be the driver for inflows for the remainder of 2020.

The Chairman said the prolonged global economic disruption from COVID-19 is limiting inflows from foreign institutional investors. While expecting that retail clients will be the main driver for 2020 market turnover, the Chairman believes that Vietnam will be a bright spot to attract foreign inflows once the nation's economy navigates through the disruptions of COVID-19.

SSI is emphasizing product diversification, service quality and technology improvement to strengthen its brokerage arm. The Chairman recognized that SSI cannot increase fees in the midst of intensifying competition. The closure of SSI's branches in Nha Trang and Vung Tau was due to

there being no need for professional brokers in these areas. In addition, SSI is focusing on developing its trading system to improve client interactions as well as increase market share, per the Chairman.

There are no specific details regarding the settlement of SSI's convertible bonds. SSI issued VND1,150bn of convertible bonds in February 2018 with three-year duration. The conversion price is ~VND31,000 per share (~37 million shares and equivalent to ~6.2% of outstanding shares). Given the current share price performance, the Chairman said that SSI may negotiate with the bondholder(s) to rollover these bonds and will seek for shareholder approval on this issue after the bondholder(s) and the BOD finalize the decision.

VCSC Rating System

Stock ratings are set based on projected total shareholder return (TSR), defined as $(\text{target price} - \text{current price}) / \text{current price} + \text{dividend yield}$, and are not related to market performance.

Equity rating key	Definition
BUY	If the projected TSR is 20% or higher
OUTPERFORM	If the projected TSR is between 10% and 20%
MARKET PERFORM	If the projected TSR is between -10% and 10%
UNDERPERFORM	If the projected TSR is between -10% and -20%
SELL	If the projected TSR is -20% or lower
NOT RATED	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulation and/or firm policies in certain circumstances, including when VCSC is acting in an advisory capacity in a merger or strategic transaction involving the company.
RATING SUSPENDED, COVERAGE TERMINATED	A rating may be suspended, or coverage terminated, if fundamental information is deemed insufficient to determine a target price or investment rating or due to a reallocation of research resources. Any previous investment rating and target price are no longer in effect.

Unless otherwise specified, these performance parameters are set with a 12-month horizon. Movement in share prices may cause a temporary mismatch between the latest published rating and projected TSR for a stock based on its market price and the latest published target price.

Target prices are generally based on the analyst's assessment of the stock's fair value over a 12-month horizon. However, the target price may differ from the analyst's fair value if the analyst believes that the market will not price the stock in line with assessed fair value over the specified time horizon.

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