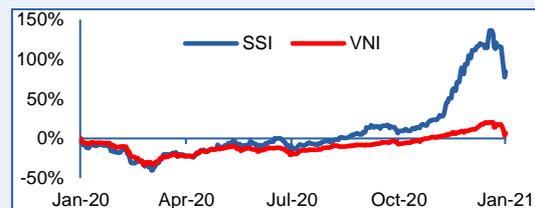


Industry:	Brokerage		2019	2020
Report Date:	February 1, 2021	Revenue y/y	-11.9%	35.0%
Current Price:	VND26,800	NPAT (VND bn)	907	1,256
Target Price*:	VND20,900	NPAT y/y	-30.4%	38.5%
Upside:	-22.0%	GPM	63.8%	56.4%
Dividend yield:	+3.7%	NPM	28.0%	28.8%
TSR:	-18.3%	P/E	17.8x	12.8x
Rating*:	OUTPERFORM	P/B	1.7x	1.7x



			SSI	Peers	VNI
Market Cap:	USD691mn	P/E (ttm)	12.8x	10.2x	16.0x
Foreign Room:	USD409mn	P/B (curr)	1.7x	1.7x	2.2x
ADTV30D:	USD19.0mn	ROE (ttm)	13.0%	14.4%	13.6%
State Ownership:	0%	ROA (ttm)	4.0%	5.3%	2.2%
Outstanding Shares:	599 mn	Net debt/Equity (ttm)	246%	147%	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 as of YE2020 employed 909 people with presence in HCMC, Hanoi and Hai Phong.

* TP and rating last updated November 30, 2020

Investment gains drive strong 2020 net income growth

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SSI released consolidated results for FY2020 with net profit totalling VND1.3tn (USD54mn; +38.5% YoY), surpassing our FY2020 forecast by 9%. 2020 PBT was VND1.6tn/USD67mn, which surpassed SSI's 2020 full-year guidance of VND868bn/USD37mn by 79%. 2020 operating income (defined to include gains but not losses on the principal book) was VND4.4tn (USD187mn; +35.0% YoY), which achieved 103% of our full-year forecast and was mainly derived from financial assets at fair value through profit and loss (FVTPL) and AFS portfolio due to the strong performance of the VN-Index toward year-end 2020 (note that SSI does not mark-to-market the unlisted bonds and certificate of deposits that constitute 84% of the FVTPL portfolio). Gains from HTM completed 104% our full-year forecast. We see upside risk to our earnings forecasts, pending a more extensive review.

- The VN-Index jumped in Q4 2020 (+22% from September 30 to December 31), which supported SSI's investment gains to boost profitability. SSI derived 43% of its consolidated PBT from the proprietary trading segment.
- HTM investments decreased 48% YoY in 2020 and contributed 16% to total assets as of YE2020 (vs 40% as of YE2019). Meanwhile the FVTPL portfolio surged 207% YoY and contributed 37% to total assets as of YE2020 with unlisted bonds and certificate of deposits accounting for 84% of the FVTPL portfolio.
- Brokerage revenue increased 37% YoY in 2020, which was mainly supported by the surge in market turnover. FY2020 average daily trading value (ADTV) on the three combined trading venues was USD328mn — up 58% relative to FY2019.
- SSI's margin lending book surged 72% YoY to VND9.2tn as of YE2020 as a result of the strong performance of the VN-Index. However, 2020 margin lending revenue declined 23% YoY due to the compressing loan yield amid intensifying competition, which completed 84% our forecast.
- We estimate SSI's combined market share (excluding proprietary trading) was 10.5%/11.5% in Q4 2020/FY2020 relative to 12.5% in FY2019. Based on SSI's financials, we estimate SSI's brokerage commission rate held at 19 bps in FY2020 — unchanged relative to FY2019.

Investment income was the key net income growth driver in 2020, but it creates high base to beat in 2021. SSI benefited from a 67% increase of the VN-Index as of December 31, 2020, from the 2020 on March 24, 2020. As 84% of SSI's FVTPL portfolio was unlisted bonds and certificate of deposits as of YE2020, we believe it is unlikely to generate high returns in 2021. In addition, we expect gains from HTM investments to continue decreasing in 2021 as SSI decreased its position in bank deposits and certificate deposits (-48% YoY) amid the low-rate environment in 2020.

Brokerage plus margin lending revenue was up 5% YoY, which completed 104% our FY2020 forecast. As mentioned, the 37% YoY increase in brokerage revenue was mainly driven by the surge in market turnover. However, the sum of brokerage and margin lending revenue was up only 5% YoY amid a large wave of retail investor trading activities in 2020, which signifies the compressing profitability of the segment. Reported PBT from the brokerage and customer services division (including margin lending) contributed 26% to consolidated PBT in 2020 relative to 37% in 2019.

Figure 1: SSI's consolidated Q4 2020 results

VND bn	2019	2020	YoY	Q4 2019	Q4 2020	YoY
Operating income	3,235.0	4,366.8	35.0%	903.6	1,174.7	30.0%
Gains from FVTPL	699.0	1,779.4	154.6%	237.4	521.6	119.7%
Gains from HTM	991.2	850.0	-14.2%	253.0	149.9	-40.7%
Gains from AFS	83.3	232.8	179.5%	39.5	0.4	-98.9%
Margin lending revenue	677.9	525.1	-22.5%	162.7	153.9	-5.4%
Brokerage revenue	582.1	797.3	37.0%	149.4	307.3	105.8%
Commission rate	0.19%	0.19%	0 bps	0.18%	0.19%	1 ppt
IB revenue	99.9	97.9	-2.0%	31.0	17.4	-43.9%
Others	101.6	84.3	-17.1%	30.5	24.1	-21.0%
Operating expenses	1,171.0	1,901.8	62.4%	388.4	471.5	21.4%
Loss from FVTPL	382.5	1,003.1	162.2%	145.1	171.4	18.2%
Expenses for brokerage	555.5	625.8	12.7%	160.1	202.7	26.6%
Others	233.0	272.8	17.1%	83.2	97.4	17.1%
Gross operating profit	2,064.0	2,465.0	19.4%	515.2	703.2	36.5%
Financial income	66.5	208.8	213.9%	27.2	42.8	57.4%
Gains from divestments	45.7	167.1	265.5%	20.5	36.0	75.7%
Financial expenses	838.6	937.1	11.7%	235.6	220.0	-6.6%
Borrowing costs	819.0	924.7	12.9%	230.5	220.0	-4.6%
G&A expenses	193.2	184.2	-4.7%	45.6	49.5	8.5%
Net other income	6.9	5.1	-26.2%	1.7	0.7	-59.2%
PBT	1,105.5	1,557.6	40.9%	263.0	477.2	81.5%
NPAT	907.1	1,255.9	38.5%	220.0	381.0	73.1%
Margin lending book	5,359.3	9,226.2	72.2%	5,359.3	9,226.2	72.2%
GPM %	63.8%	56.4%	-7.4 ppts	57.0%	59.9%	2.8 ppts
NPM %	28.0%	28.8%	0.7 ppts	24.4%	32.4%	8.1 ppts

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

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Stock ratings are set based on projected total shareholder return (TSR), defined as (target price – current price)/current price + 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
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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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