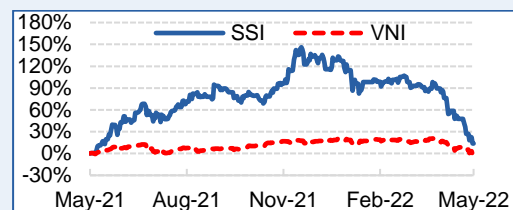


Industry:	Brokerage		2021	2022F	2023F	2024F
Report Date:	May 26, 2022	Revenue y/y	70.4%	5.2%	15.7%	13.0%
Current Price:	VND29,450	NPAT (VND bn)	2,695	2,271	3,041	3,670
Target Price:	VND35,900	NPAT y/y	114.6%	-15.7%	33.9%	20.7%
Previous Target Price:	VND47,800	EPS y/y	102.0%	-22.1%	10.3%	20.7%
		GPM	57.6%	57.8%	62.2%	67.0%
Upside to TP:	21.9%	NPM	36.2%	29.0%	33.6%	35.9%
Dividend Yield:	3.4%	P/B	2.0x	1.6x	1.5x	1.4x
TSR:	25.3%	P/E	10.7x	13.7x	12.4x	10.3x



			SSI	Peers	VNI
Market Cap:	USD1.2bn				
Foreign Room:	USD817mn	P/E (ttm)	9.8x	8.0x	13.6x
ADTV30D:	USD18mn	P/B (curr)	2.0x	1.8x	2.1x
State Ownership:	0%	ROE (ttm)	22.5%	26.9%	15.9%
Outstanding Shares:	993 mn	ROA (ttm)	6.8%	8.5%	2.6%
Fully Diluted Shares:	1,258 mn	Net debt/equity (LQ)	215%	110%	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 YE2020 employed 909 people with presence in HCMC, Hanoi and Hai Phong.

Most top-line items trimmed on lower ADTV assumption

- We cut our target price (TP) for SSI by 24.9% to VND35,900/share but upgrade our rating from MARKET PERFORM to BUY as the company's share price has dropped ~40% over the past three months.
- Our decreased TP is derived from (1) an 11.8% decrease in our forecast for aggregate 2022-2026F net income and (2) downward revision in our target P/B from 2.8x to 2.3x, which are partly offset by the positive effect of rolling our TP forward to mid-2023.
- We cut our forecast for 2022F net income by 19.7% as a result of (1) a 22.3% decrease in gains from FVTPL following the significant correction of the VN-Index over the last three months, (2) 8.8% decrease in margin lending revenue due to a downward revision in our assumption for margin loan book size and (3) 8.3% decrease in brokerage revenue, which are partly offset by an 18% increase in gains from HTM securities.
- Upside/(downside) risks: Higher/(lower)-than-expected market turnover and margin lending; large net gains/(losses) in SSI's FVTPL portfolio; SSC allowing intraday trading in 2022.

SSI raised USD148mn of offshore syndicated loans in April 2022, which is the largest in size among securities companies in Vietnam and provides a cheap funding source. SSI first tapped offshore syndicated loans in 2019, and since then it has successfully raised cheap offshore funding every year with the size of the loans increasing each year. With these offshore syndicated loans, SSI has a low-cost advantage to boost its operations compared to its peers. We take into account the offshore syndicated loans that SSI raised in April 2022 and thereby increase the 2022F borrowing book by 7.7%. However, given the current market situation, we believe margin lending will not fully absorb these funds and a portion will be diverted to treasury activities this year.

We lower our projections for 2022F brokerage revenue and margin lending. We believe a multitude of international and domestic factors have negatively affected short-term sentiment, leading to a 15% decrease in the VN-Index since April 2022 in conjunction with weaker market turnover. However, we expect market sentiment will improve when companies post solid results for H2 2022 and ongoing investigations into the misuse of corporate bonds are clarified. In this Update Report, we lower our assumption for 2022F ADTV from USD1.3bn to USD1.16bn, which partly results in an 8.3% cut in our 2022F brokerage revenue. We are also trim our projection for SSI's margin lending book, which is the main reason behind an 8.8% cut in our 2022F margin lending revenue.

SSI's 2022 guidance looks challenging, in our view. SSI's AGM set consolidated revenue guidance of VND10.33tn (USD449mn; +32.7% YoY) and consolidated profit before tax (PBT) of VND4.37tn (USD190mn; +29.9% YoY). With the correction of the VN-Index and drop in market turnover over the last three months, we view SSI's guidance as challenging. We currently forecast for 2022F revenue of VND7.9tn (+1.5% YoY) and PBT of VND2.8tn (-15.7% YoY).

Q1 2022 Recap: Growth from last year's low base

Figure 1: SSI's consolidated Q1 2022 results

VND bn	Q1 2021	Q1 2022	YoY	% of 2022F Old	VCSC comments
Operating income	1,506	2,008	33%	23%	
Gains from FVTPL	600	625	4%	24%	Netting gains and losses of various sub-items in this category, we observe the following: * Net gain of VND240bn from selling FVTPL assets in Q1 2022 vs net gain of VND106bn in Q1 2021. * Mark-to-market revaluation results in net gain of VND27bn in Q1 2022 vs net gain of VND5.7bn Q1 2021. * Interest income and dividends from FVTPL assets of VND35.7bn vs VND104bn in Q1 2021.
Gains from HTM	171	130	-24%	13%	
Gains from AFS	0	0	N/A	0%	
Margin lending revenue	246	566	131%	27%	* Margin lending revenue was the category that achieved the highest YoY (+131% YoY) growth among key operating income items in Q1 2022 as SSI succeeded in maintaining its margin lending book at a high level of VND21.2tn (+91% YoY). * SSI's margin lending book remained the largest in the sector as of Q1 2022, with margin lending over equity at a safe level of 137% vs the regulatory threshold of 200%. * While Q1 2022 ADTV was slightly lower than in Q4 2021 (-7.0% QoQ), it increased 62.8% YoY to support SSI's brokerage revenue. The slower growth of SSI's brokerage revenue relative to the growth of market ADTV reflects SSI's market share loss — from 10.6% in Q1 2021 to 8.9% in Q1 2022 based on the combined three trading venues, per our estimation.
Brokerage revenue	437	599	37%	23%	* Average commission rate remained at the same level of Q1 2021 at 0.18%, which was relatively high compared to the commission rate in the market. SSI shared that its commission rate ranged from 0.15% to 0.4% and was achieved through offering high-quality services.
Commission rate	0.18%	0.18%	0.0 bps		
IB revenue	15	28	82%	23%	
Others	36	58	59%	31%	
Operating expenses	696	816	17%	24%	
Loss from FVTPL	384	322	-16%	22%	
Expenses for brokerage	257	388	51%	25%	* Q1 2022 expenses for brokerage increased 51% YoY to VND388bn mainly due to higher commission expenses and salary expenses on the back of a 38.3% YoY increase in headcount.
Others	54	106	95%	27%	
Gross operating profit	810	1,191	47%	23%	
Financial income	12	60	405%	92%	* Main contributor to Q1 2022 financial income was realized and unrealized gain from foreign exchange rate differences of VND35bn vs VND3bn in Q1 2021.
Investment income	5	20	332%	56%	
Financial expenses	243	302	24%	20%	
Borrowing costs	222	264	19%	18%	* Annualized borrowing rate decreased by 80 bps YoY to 3.8%, which we attribute to (1) interest expenses from convertible bonds dropping away following their conversion in mid-March 2021 and (2) syndicated offshore loans worth of USD100mn in July 2021.
G&A expenses	50	67	35%	21%	
Net other income	1	0.3	-66%	0%	
PBT	530	883	67%	25%	
NPAT	424	706	67%	25%	
Margin lending book	11,123	21,203	91%		
GPM %	53.8%	59.3%	5.5 ppts		
NPM %	28.1%	35.2%	7.1 ppts		
ROE	16.4%	21.3%	4.9 ppts		
ROA	5.2%	6.4%	1.2 ppts		

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

2022 Outlook: We trim most top-line items due to difficult capital market environment

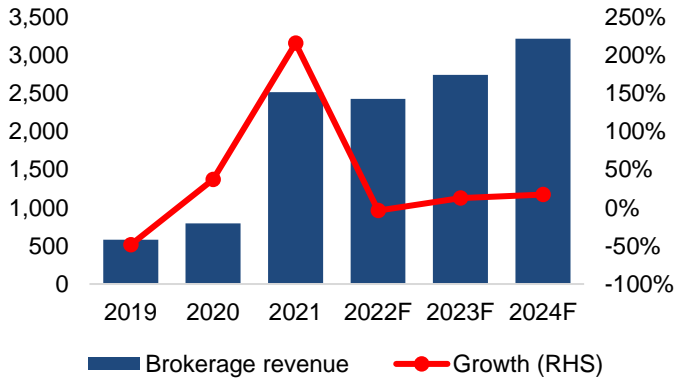
Figure 2: VCSC's 2022 forecasts

VND bn	2021	2022F New	2022F Old	YoY	VCSC comments on 2022 forecasts
Operating income	7,443	7,829	8,587	5%	
Gains from FVTPL	2,325	1,987	2,558	-15%	* We cut our forecast for 2022F gains from FVTPL by 22.3% due to the VN-Index's sharp drop over the past three months.
Gains from HTM	720	1,186	1,005	65%	* We raise our projection for 2022F gains from HTM by 18.0% based on our expectation that SSI will allocate more capital to HTM accounts this year amid the uncertainty of the stock market.
Gains from AFS	1	1	1	5%	
Margin lending revenue	1,571	1,884	2,066	20%	* We cut our forecast for 2022F margin lending revenue by 8.8% mainly due to recent market crackdown.
Brokerage revenue	2,519	2,431	2,652	-3%	* We revise down our projection for 2022F brokerage revenue by 8.3% following a decrease in our assumption for 2022F ADTV from USD1.3bn to USD1.16bn as well as a decrease in our assumption for SSI's market share on three trading venues from 10.3% to 10.1%. * While Q1 2022 ADTV remained high at USD1.36bn, April and May ADTV (calculated to May 20) dropped to USD1.14bn and USD770mn, respectively. We believe ongoing issues both internationally and domestically have negatively affected investor sentiment; therefore, we have become more conservative in forecasting ADTV for 2022. * However, we still expect 2022F ADTV to achieve a similar level to last year. We believe several catalysts for the stock market will materialize in H2 2022, including (1) higher YoY earnings growth in H2 2022 from a low base in H2 2021 following an expectation for a recovery in consumption demand as well as a faster pace for the disbursement of public capital investment, (2) an economic stimulus package and (3) initiatives for capital market development infrastructure in Vietnam.
IB revenue and others	307	340	305	11%	
Operating expenses	3,155	3,305	3,386	5%	
Loss from FVTPL	1,342	1,464	1,464	9%	
Expenses for brokerage	1,494	1,452	1,533	-3%	
Gross operating profit	4,289	4,524	5,201	5%	
Financial income	343	77	66	-78%	* SSI does not plan to divest from PAN in 2022, which was shared by the chairman at the recent AGM.
Financial expenses	1,115	1,563	1,535	40%	
Borrowing costs	1,030	1,525	1,497	48%	* We increase 2022F borrowing book 7.7% following SSI's success in raising USD148mn of syndicated offshore loans in April 2022, which partly led to an increase in our projection for borrowing costs.
G&A expenses	265	315	315	19%	
PBT	3,365	2,835	3,529	-16%	
NPAT	2,695	2,271	2,827	-16%	
Margin lending book	23,698	25,453	30,307	7%	
ROE	22.4%	12.3%	15.2%	-10.1 pts	* On November 17, 2021, SSI sought shareholder approval to raise new capital through a rights issue. SSI proposed to issue a maximum of ~497.4 million shares via a rights issue at a price of VND15,000/share and 2:1 ratio. * Previously, we assumed the rights issue would take place in mid-2022; however, as we are approaching end of May with no new information, end-2022 might be more appropriate timeline.
ROA	6.2%	3.8%	4.8%	-2.5 pts	

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

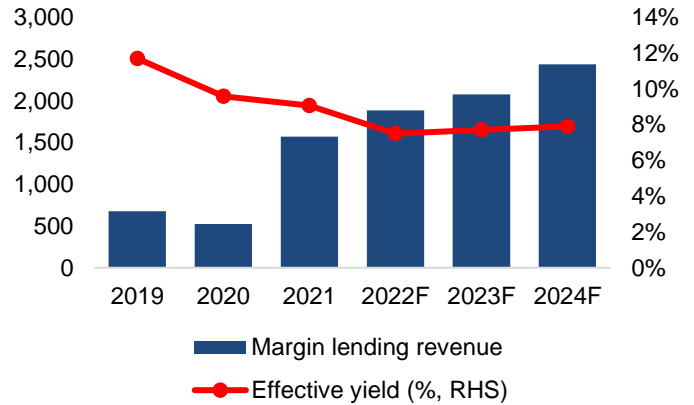
Key figures of SSI

Figure 3: Brokerage revenue (VND bn) and growth (%) (2019-2024F)



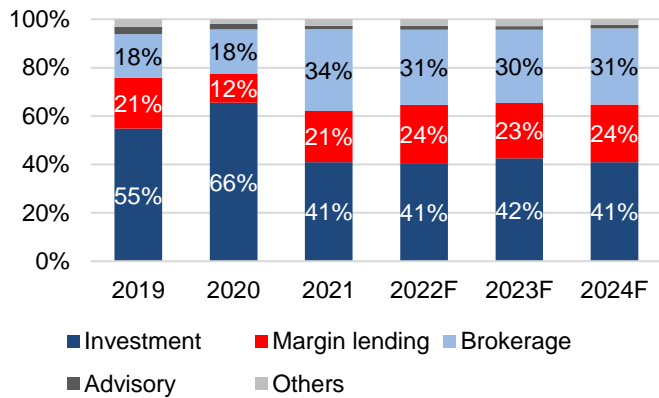
Source: SSI, VCSC

Figure 4: Margin lending revenue (VND bn) and effective margin lending yield (%) (2019-2024F)



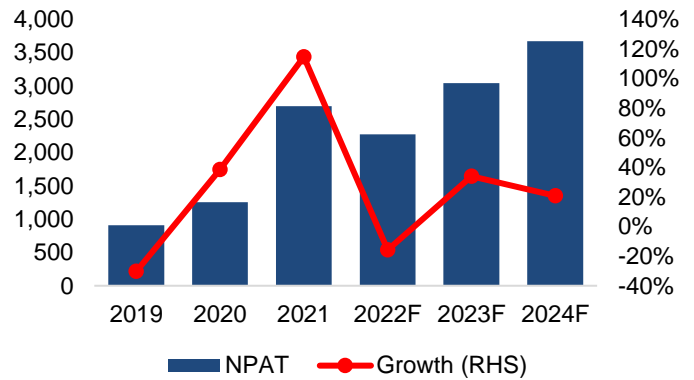
Source: SSI, VCSC

Figure 5: Revenue mix (%) (2019-2024F)



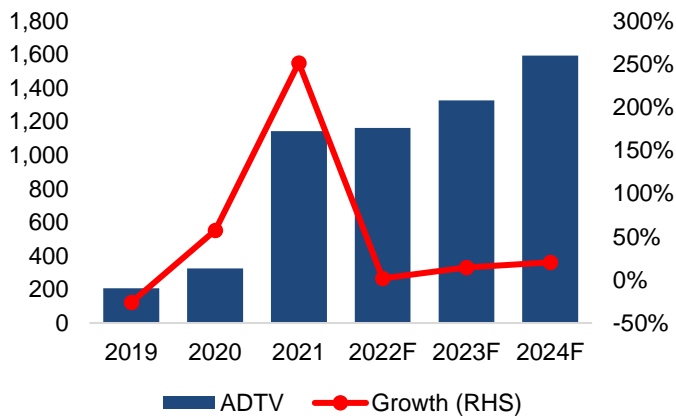
Source: SSI, VCSC

Figure 6: NPAT (VND bn) and NPAT growth (%) (2019-2024F)



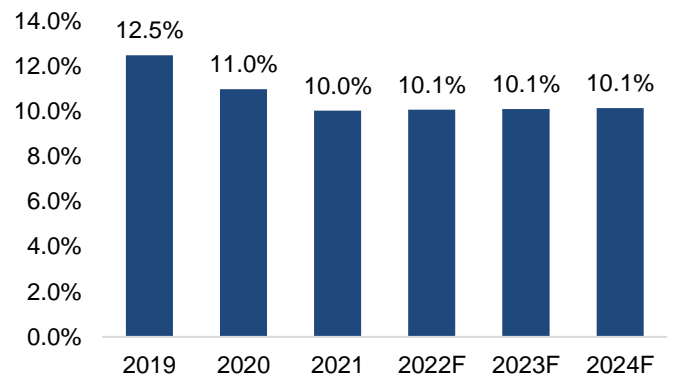
Source: SSI, VCSC

Figure 7: Average daily trading value (ADTV, USD mn) of combined three trading venues (2019-2024F)



Source: Bloomberg, VCSC

Figure 8: SSI's combined market share (2019-2024F)



Source: SSI, VCSC

Valuation

We utilize two valuation methodologies in estimating our target price for mid-2023, assigning equal weighting for the equity DCF method and target P/B multiple.

In this Update Report, we cut our TP by 24.9% to 35,900/share due to the following reasons:

- The equity DCF method produces a lower valuation following an 11.8% decrease in our forecast for aggregate 2022-2026F net income, which is partly offset by the positive effect of rolling our TP forward to mid-2023. The decrease in the bottom line for the explicit forecast period is mainly driven by (1) a 10.1% aggregate decrease in margin lending revenue following the downward revision in our forecast for SSI's margin lending book, (2) 2.0% aggregate decrease in brokerage revenue as we lower our average assumption for SSI's market share from 10.3% to 10.1%, (3) 16.7% aggregate decrease in gains from FVTPL and (4) 7.7% aggregate increase in borrowing costs, which are partly offset by a 24.1% aggregate increase in gains from HTM securities.
- The target P/B produces a lower valuation as we lower our projection for aggregate 2022F-2023F NPAT-MI by 17.6% and lower our target P/B from 2.8x to 2.3x.

Our assumptions regarding SSI's planned rights issue

On November 17, 2021, SSI sought shareholder approval to raise new capital through a rights issue. SSI proposed to issue a maximum of ~497.4 million shares via a rights issue at a price of VND15,000/share and ratio 2:1 ratio. We assume this rights issue will be implemented later this year. SSI also plans to conduct a private placement of a maximum 104 million shares at a price not lower than the average closing price in 10 consecutive sessions before the date of receiving approval from the BOD (equivalent to a 6.5% stake post-private placement) in 2022-2023 or another period decided by the BOD; however, we have not modeled for this in this Update Report.

Figure 9: Summary of our assumptions for SSI's equity issuance plan

	Rights issue
Timeline	Late-2022*
Number of shares to be issued	497 million shares (50% of current outstanding shares)
Exercise price/placement price	VND15,000/share
Proceeds	VND7.46tn (USD324mn)
Fair value element	263 million shares*
Bonus element	234 million shares*

Source: Company guidance, *VCSC's assumptions

Our further assumptions for the rights issue:

- (1) Pre-money share price for market capitalization calculation: VND35,000/share
- (2) Theoretical diluted price: VND28,300/share
 - o (2) = (SSI's market capitalization + proceeds from exercised rights) / (SSI's current outstanding shares + issued amount)
- (3) Fair value element of the rights issue: 263 million shares; (3) = proceeds / (2)
- (4) Bonus element of the rights issue: 234 million shares; (7) = issued amount – (3)

Our EPS projections, outstanding share projections and share count used for our valuation in this report are adjusted for the new shares related to the fair value element of the rights issue. We will adjust these figures for the bonus element of the rights issue once SSI implements its rights issue.

Figure 10: Valuation summary

(VND bn)	Fair value	Weighting	Contribution
Equity DCF	36,597	50%	18,298
Target P/B @2.3x average 2022/23F	53,580	50%	26,790
Composite valuation			45,088
Number of shares outstanding (million)*			1,256
Target price (VND)			35,900
Downside			21.9%
Dividend yield			3.4%
TSR			25.3%
TTM P/E at TP			11.9x
2022F P/E at TP			16.7x
Latest quarter P/B at TP			3.01x
2022F P/B at TP			1.98x
RATING			BUY

Source: VCSC; units are in VND bn unless otherwise stated; (*) including the fair value element of the rights issue.

Equity DCF model

Figure 11: Equity DCF model

(VND bn)	2022F	2023F	2024F	2025F	2026F
Net income	2,271	3,041	3,670	4,448	5,285
(Increase) decrease in equity	-1,115	-1,534	-1,912	-2,565	-3,276
Cash flow to equity (CFE)*	1,156	1,507	1,758	1,884	2,009
Cost of equity (COE)	12.5%	12.5%	12.5%	12.5%	12.5%
PV of CFE	1,090	1,263	1,310	1,247	1,183
Sum PV of CFE					6,093
PV of continuing value (18.3% terminal ROE and 3% terminal growth rate assumption)					30,504
Fair equity value					36,597
Number of shares outstanding (million)**					1,256
Fair value per share (VND)					29,141

Source: VCSC. * We use DPS (NPAT – increase in equity) as a proxy for CFE. Units are in VND bn unless otherwise stated; (**) including the fair value element of the rights issue.

Figure 12: Cost of equity

Cost of equity	
Risk free rate* (%)	5.5
Beta	1.0
Market risk premium (%)	7.0
COE (%)	12.5

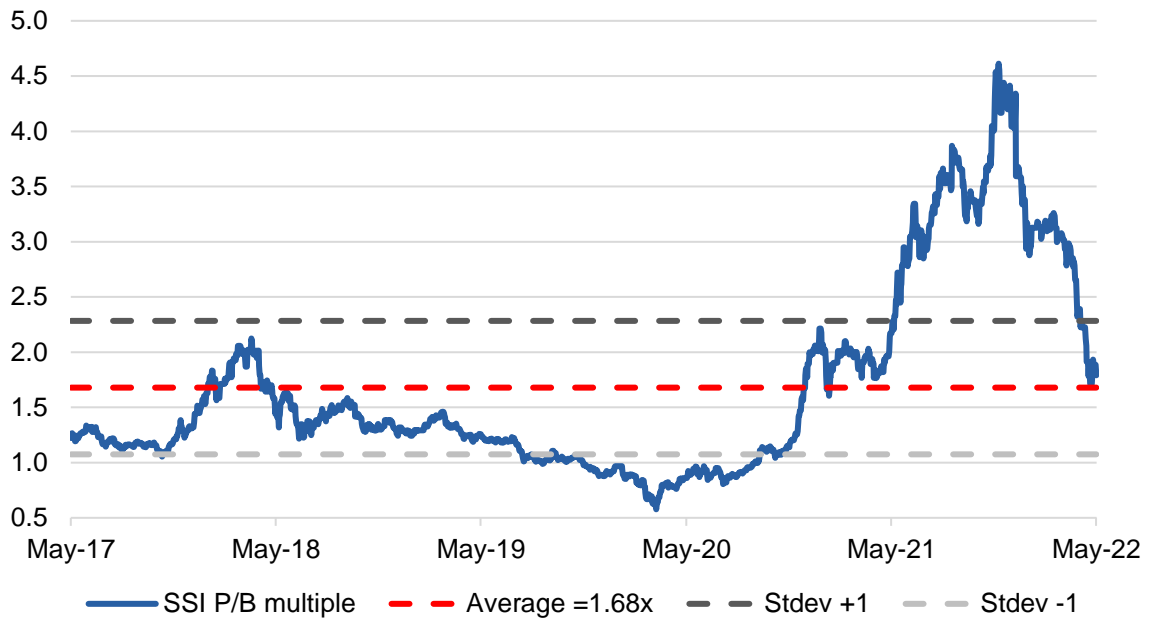
Source: VCSC. (*) Average 12-month deposit rate at SOE banks.

Target P/B

SSI's P/B multiple re-rated from a trough of 0.6x in March 2020 to a peak of 4.5x in December 2021 following positive sentiment for Vietnam's securities sector amid consistently high turnover (almost above USD1bn) since the application of the new software patch developed by FPT. From December 2021 to now, SSI's P/B decreased to 1.79x as of May 23, 2022, which we attribute to market uncertainty following the investigations of stock market manipulation and/or concerns arising from increased interest rates and inflation. In our view, the recent investigations into stock market manipulation negatively impacted investor sentiment in the short term but should benefit the long-term sustainable growth of the Vietnamese stock market. Our house is forecasting for term deposit rates to rise circa 50 bps and inflation to be controlled at 3.5% in 2022. The increase in interest rates could affect the flow of funds to the stock market but, but we believe the Vietnamese stock market still has a lot of room for growth. We expect that HOSE will adopt the KRX Eture+ system in late 2022, which will introduce the concept of central counterparty and pave the way for a new round of product innovation in Vietnam. We assessed that Vietnam has a 35-year lag in terms of the number of total accounts as well as the number of accounts over population compared to Taiwan, which was stated in our 2021 Mid-Year Strategy Report.

We set our target P/B at 2.3x, which is one standard deviation higher than its five-year average P/B.

Figure 13: SSI trailing P/B in the last five years



Source: Bloomberg, VCSC (priced on May 23, 2022)

Figure 14: Target P/B method

	Fair value
Target P/B	2.3x
Average 2022F/23F equity value (VND bn)	23,500
Target market value of equity	53,580
Number of outstanding shares (million)*	1,256
Average 2022F/23F BVPS (VND)	18,712
Fair value per share	42,664

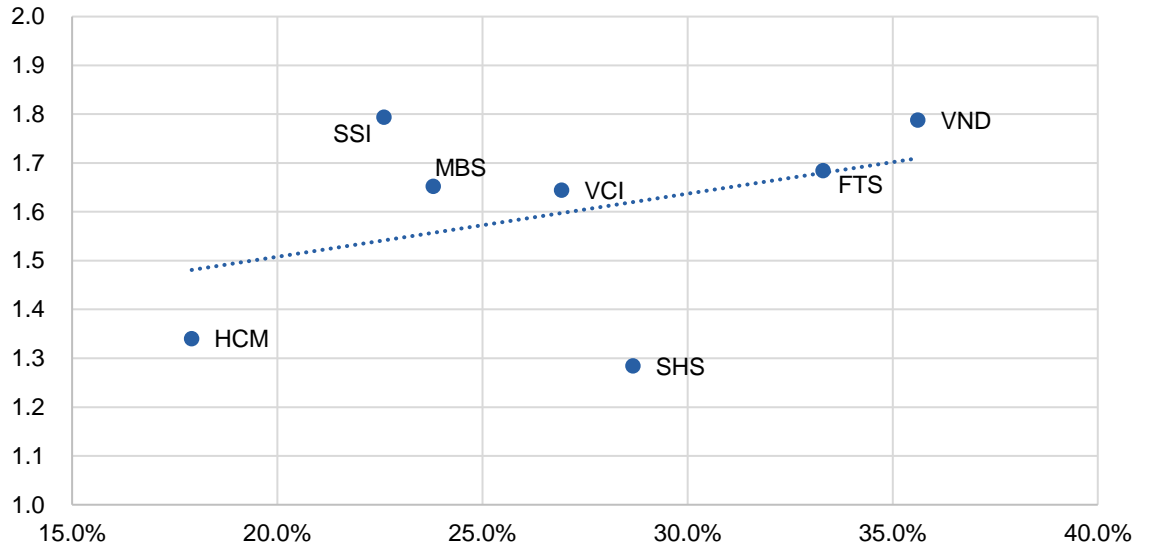
Source: VCSC; (*) including the fair value element of the projected rights issue in 2022F

Comparable Peers

SSI is currently trading at a premium of 8.9% to a peer median trailing P/B of 1.71x with trailing ROE of 22.6% vs peer median of 26.9%. Our observation also suggests that SSI has on average traded at a premium of 16.0% to the peer median trailing P/B over the past 12 months.

We believe that SSI is traded as a premium relative to peers because SSI has benefits of scale by having the largest equity position against its peers. In addition, we believe SSI has sufficient capital to expand its bond brokerage and margin lending businesses with its low-cost advantage.

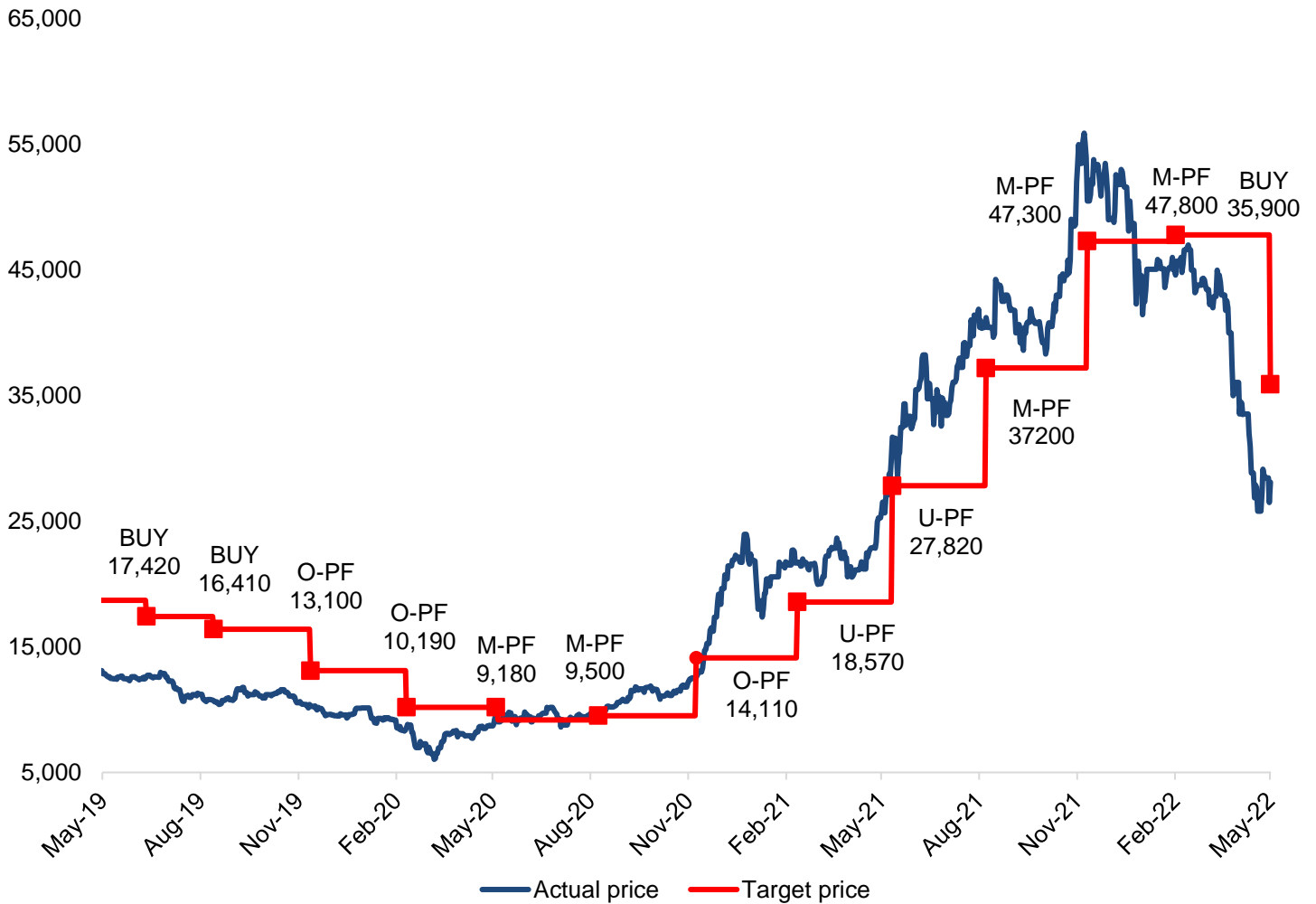
Figure 15: Vietnamese brokerage companies' trailing P/B (y-axis) and TTM ROE (x-axis)



Source: Bloomberg, VCSC (data as of May 24, 2022)

History of Recommendations

Figure 16: Historical VCSC target price vs share price (VND/share)



Source: Bloomberg, VCSC

Financial Statements

P&L (VND bn)	2021	2022F	2023F	2024F	B/S (VND bn)	2021	2022F	2023F	2024F
Operational revenue	7,443	7,829	9,057	10,233	Current assets	46,540	64,148	67,402	78,176
Gain from FVTPL sec.	2,325	1,987	2,275	2,503	Financial assets	46,464	64,069	67,319	78,089
Int. income from HTM sec	720	1,186	1,570	1,686	Cash & equivalents	1,114	2,501	2,366	4,454
Int. income from loans	1,571	1,884	2,076	2,438	FVTPL sec.	12,023	19,491	20,201	21,348
Gains from AFS sec.	1	1	1	1	HTM sec.	7,834	15,668	16,452	18,097
Revenue from brokerage	2,519	2,431	2,745	3,219	Loans	23,698	25,453	27,302	33,148
IB revenue	107	125	134	144	AFS sec.	272	285	299	314
Other income	200	215	256	241	Provision for fin. assets	-62	-65	-69	-72
Operational expense	3,155	3,305	3,420	3,380	Rec'v. from fin. assets	528	554	582	611
Losses from FVTPL sec.	1,342	1,464	1,477	1,491	Provision for receivables	-243	-238	-233	-228
Loss from reval. of AFS sec.	1	1	1	1	Other rec'v	1,301	420	419	418
Exp. for prop. trading	55	61	67	73	Other current assets	75	79	83	87
Exp. for sec. brokerage	1,494	1,452	1,525	1,439	Non-current assets	4,254	5,524	5,995	6,513
Other expenses	262	327	350	376	LT fin. Investments	3,689	4,924	5,356	5,832
Gross profit	4,289	4,524	5,637	6,853	Fixed assets	189	198	208	219
Total fin. income	343	77	130	132	Investment property	233	257	282	310
Total fin. expense	1115	1563	1730	2124	Construction in progress	35	35	35	35
G&A expenses	265	315	352	391	Others	107	110	114	117
Net other income	113	113	113	113	Total assets	50,793	69,673	73,398	84,689
Pre-tax profit	3,365	2,835	3,797	4,583	Liabilities	36,573	46,877	49,068	58,447
Taxes	670	565	756	912	Current liabilities	36,479	46,783	48,975	58,353
Net profit	2,695	2,271	3,041	3,670	ST borrowings	31,121	43,569	45,748	54,897
EPS (VND)	2,759	2,148	2,369	2,859	ST issued bonds	0	0	0	0
DPS (VND)	1,000	1,000	1,200	1,400	Other ST payables	5,358	3,214	3,227	3,456
Y/E shares (mn)*	983	1,256	1,256	1,256	Non-current liabilities	94	94	94	94
Wt avg shares (mn)*	956	1,034	1,256	1,256	LT debts	0	0	0	0
					Others	94	94	94	94
Growth					Equity	14,220	22,796	24,329	26,242
Revenue growth %	70.4%	5.2%	15.7%	13.0%	Common stock	9,848	14,921	14,921	14,921
EBIT growth %	80.9%	4.5%	24.9%	21.8%	Share premium	817	3,304	3,304	3,304
PBT growth %	116.0%	-15.7%	33.9%	20.7%	Convert. bond	0	0	0	0
EPS growth %, diluted	102.0%	-22.1%	10.3%	20.7%	Treasury stock	-22	-22	-22	-22
					Diff. from asset reval.	-4	-4	-4	-4
Profitability					FX differences	34	34	34	34
Gross profit margin %	57.6%	57.8%	62.2%	67.0%	Statutory and fin. reserve	557	827	1,054	1,358
EBIT margin %	55.6%	55.2%	59.6%	64.2%	Retained earnings	2,928	3,673	4,980	6,588
NPAT margin %	36.2%	29.0%	33.6%	35.9%	Minority interest	63	63	63	63
ROE %	22.4%	12.3%	12.9%	14.5%	Liabilities & SE	50,793	69,673	73,398	84,689
ROA %	6.2%	3.8%	4.3%	4.6%					
					Liquidity				
					Current ratio x	1.28	1.37	1.38	1.34
					Cash ratio x	0.03	0.05	0.05	0.08
					Net debt / Equity %	2.11	1.80	1.78	1.92
					Interest coverage x	4.02	2.83	3.19	3.15

Source: Company data, VCSC. *SSI issued 46.86 million shares for the conversion of VND1.15tn of convertible bonds converted at a price of VND24,541/share in mid-March 2021; SSI issued 109.2 million shares via a rights issue at a price of VND10,000/share for existing shareholders at a 6:1 ratio on November 11, 2021; SSI issued 10 million shares through ESOP on February 23, 2022; we assume SSI will issue 497 million shares via a rights issue at a price of VND15,000/share for existing shareholders at a ratio of 2:1 (one new share for every two existing shares) in late 2022; however, we only include the fair value element in the number of share outstanding in 2022, and we will adjust the bonus element once it is implemented.

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
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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%
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