

Securities

Trailed the expectation

The new record in 4Q21 revenue and earnings

Based on a collection of 25 companies which represented 90% of total revenue in 2019-2020, the sector aggregated revenue was pegged at VND20.4tn (+92% yoy) in 4Q21 and VND60.5tn (+109% yoy) in 2021. In tandem with the revenue growth, aggregated profit after tax grew robustly with VND6.6tn (+88% yoy) in 4Q21 and VND21.5tn (+115% yoy) in 2021. Sector net profit margin was sustained at 40% in 2021.

Not the same picture for player

VPS recorded the biggest revenue with VND9.5tn in 2021, followed by SSI (VND7.4tn), VND (VND5.8tn), and TCBS (VND5.2tn). In terms of fast-growing aspects, KIS, VPBS, and VND had impressive YoY growth of around 239%/149%/150% respectively in 2021. The fuel engines of revenue growth were triggered by brokerage, margin lending, and FVTPL. However, the rosy revenue growth did not translate to an equivalently splendid net profit growth in all companies when the gross margin (GM) diverged. VPBS attempted to trade off net profit against market share with GM of 10% vs. the industry average of 39.9% in 2021.

Booming trading value and brokerage activities

As of end-Dec 21, the total account number reached 4.3mn and the ratio of individual accounts over overpopulation was 4.5% vs 2.9% in 2020. In 2021, the average trading value boomed unprecedentedly to VND26.6tn (+260% yoy). The market is expecting 2022F trading value to sustain. VPS firmly dominated the brokerage market share in HSX with 16% in 2021, leaving two laggards SSI, VND far below at 11%/7.5%. They lost the market share to VPS and other companies when decreasing 1.6% in combined market share YoY.

Hot and hotter race of capital increase

As of end-Dec 2021, the margin ratios in eight largest margin-providing securities were above 150% and some are close to the regulated 200%. Although securities companies leveraged their capital in 2021 by 61% YoY, the growing pace of margin surpassed the capital growth. As a result, some could reach soon reach the regulated 200% and that could heat up the race of capital increase in 2022F.

The heightened expectation in 1Q22F

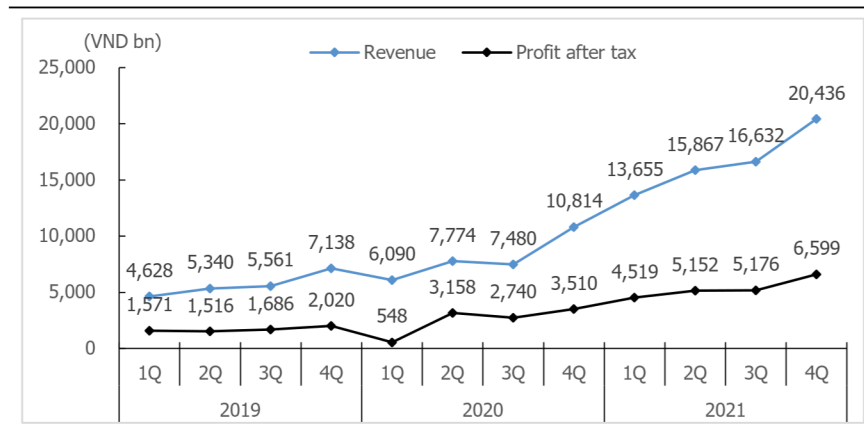
It's still a long way road to predict any possibility in 1Q21F earnings momentum. However, we estimate that the ADTV in 1Q22F continues to stay at VND22tn-23tn (+20% yoy). Revenue from brokerage and margin lending could account for a major proportion in revenue and net profit structure. Therefore, revenue performance in 1Q22F could be secured with positive YoY results.

Non-rated

Tri Duong
tri.dd@kisvn.vn

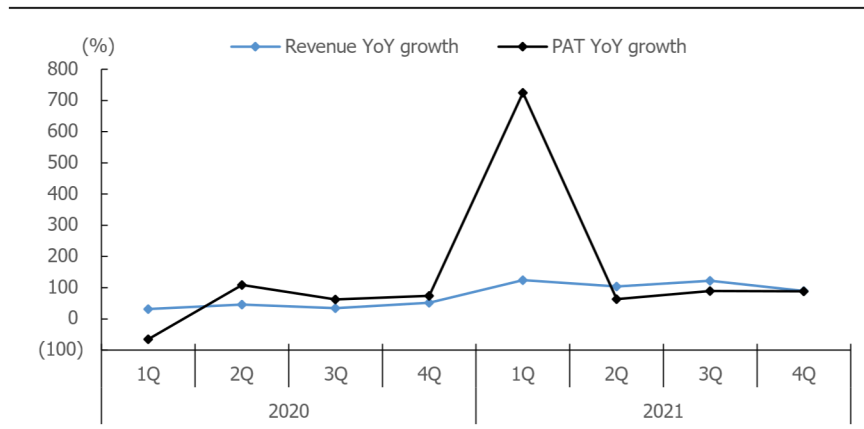
As 4Q21 financial statements were released in Jan, 2022, almost the results came in line with market's heightening expectation. Previously, increasing the trading value of VND33.6tn per day in 4Q21 formed an anticipation for the flourishing business results of securities companies. Sector revenue under KIS universe, which accounted for 90% of the sector revenue in 2019-2020 and 9M21, was pegged at VND20.4tn (+92% yoy) in 4Q21 and VND60.5tn (+109% yoy) in 2021. Profit after tax was trending upward in tandem with the revenue growth to come to VND21.5tn, 115% yoy in 2021. Sector net profit margin was sustained at 40% in 2020. However, we realized the differentiation among companies.

Figure 1. Quarterly revenue and net profit of the sector



Source: Company data, Fiinpro

Figure 2. Quarterly revenue and net profit growth of the sector

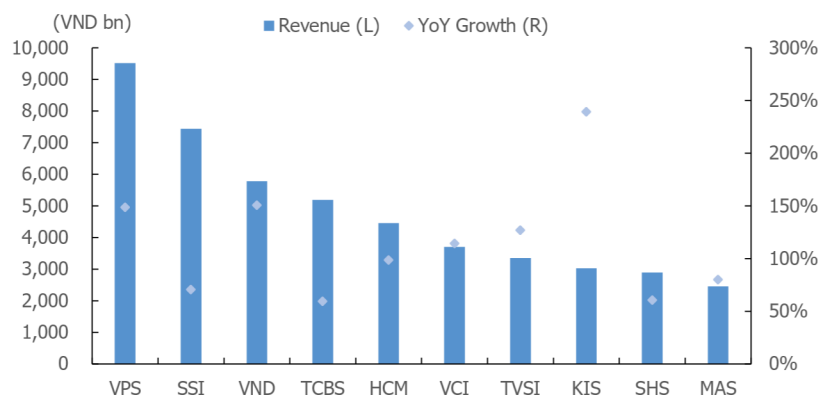


Source: Company data, Fiinpro

1. Brokerage and margin lending spur the revenue growth

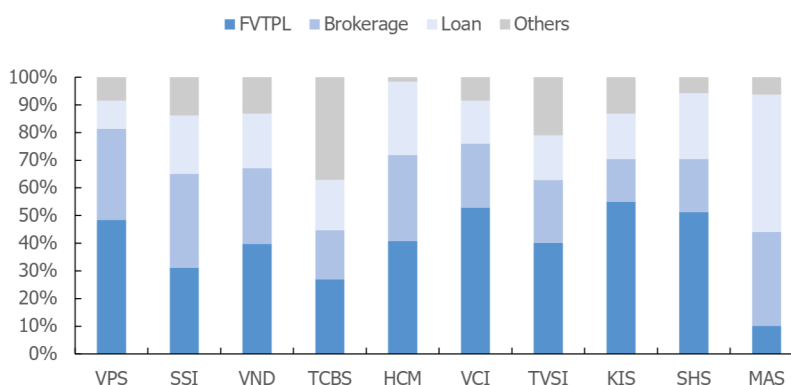
2021 was the record high for securities when the whole sector set up a new base for revenue number and 4Q21 was the peak in the year. In absolute number, VPS achieved first place with over VND9,500bn revenue in 2021, followed by SSI, VND, and TCBS. KIS, VPS, and VND had impressive YoY growth of over 150% in fast-growing companies. The main revenue drivers for almost all securities companies were income from FVTPL, brokerage and margin lending.

Figure 3. Top 10 securities companies in term of revenue, full-year 2021



Source: Company data, Korea Investment & Securities

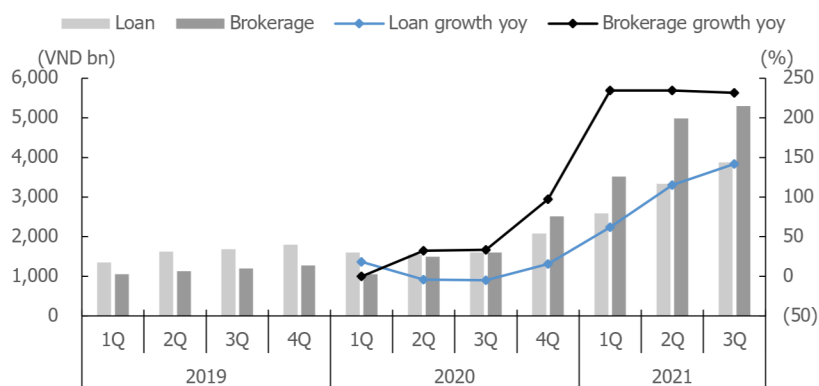
Figure 4. Revenue mix at Top 10 securities companies, full-year 2021



Source: Company data, Korea Investment & Securities

Brokerage and income from margin loans increased significantly from 2020. The underlying cause for the skyrocketing development was from Vietnam stock market attraction when it attracts lots of new investors as well as inflow capital.

Figure 5. Sector brokerage and loan income significantly increased from 2020

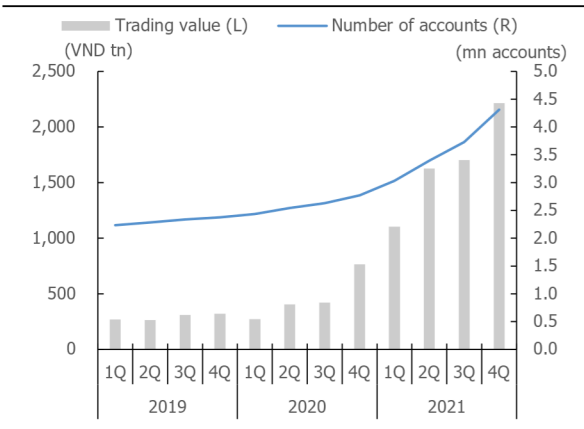


Source: Company data, Korea Investment & Securities

1.1 Accelerating trading value boost the brokerage

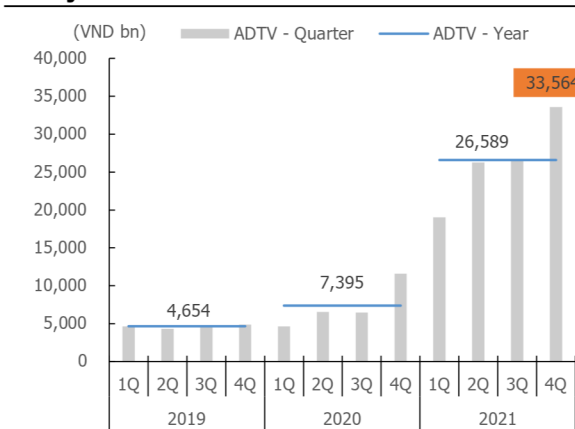
The growth pace in terms of new joiners stayed brisk at later 2021. 4Q21 witnessed the highest number of new accounts added and also average daily trading value. At end-Dec 21, the total account number reached 4.3mn and the ratio of individual accounts overpopulation was 4.5%. In 2021, the average trading value was VND26.6tn (+260% yoy) which is far better than expected. In 4Q21, average trading volume rose by 190% yoy and 26% qoq. 2022F trading value is expected to stay at a high base, around VND 24tn~26tn per day. New joiners into the Vietnam market continued to be a growing motivation.

Figure 6. Trading value and number of accounts



Source: Fiiipro, Korea Investment & Securities

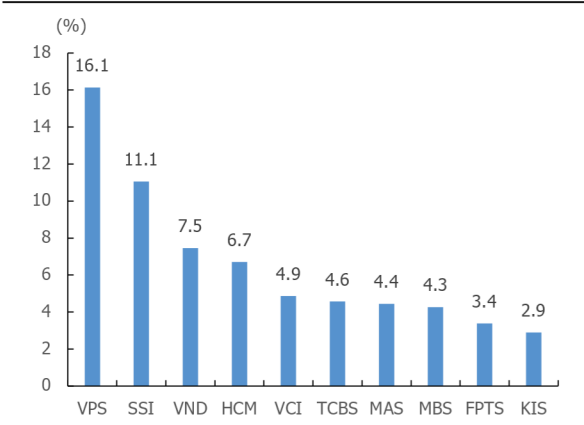
Figure 7. Average daily trading value – Quarterly and Yearly



Source: Fiiipro, Korea Investment & Securities

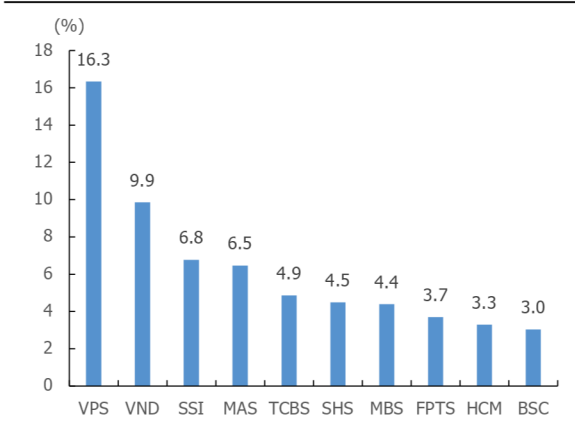
VPS dominated the brokerage market share when gapping with the second place by a significant amount. SSI, VND are two listed companies that lagged behind VPS. Both of them lost the market share to VPS and other companies when decreasing 1% market share YoY.

Figure 8. Brokerage market share in HSX 2021



Source: HSX, Korea Investment & Securities

Figure 9. Brokerage market share in HNX 2021

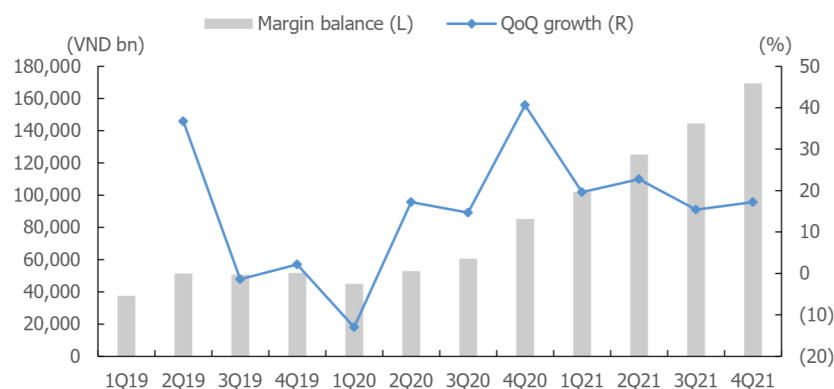


Source: HNX, Korea Investment & Securities

1.2 Margin revenue is beneficiary from demand for margin which ramps up the race to increase capital

Margin balance at securities companies has increased steadily from 2020. Average QoQ growth rates in 2020 and 2021 were 15% and 19%, respectively. As a result, the current margin balance is at the highest record in history which is approximately VND170tn (+98.7% yoy).

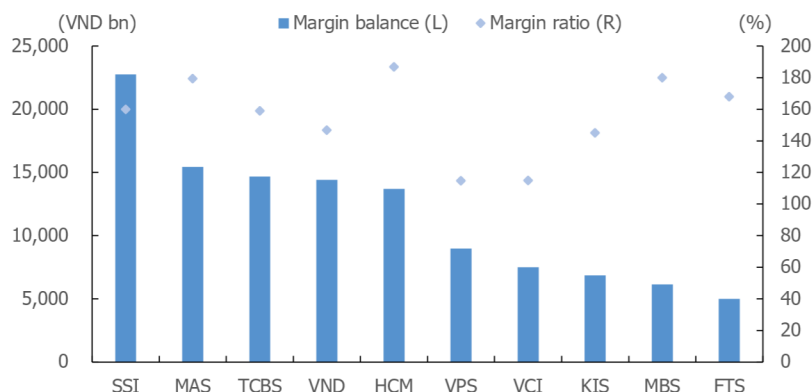
Figure 10. Sector margin balance and its growth QoQ from 2019



Source: Company data, Korea Investment & Securities

At the end-Dec 2021, the margin ratios at 8 over 10 securities companies that have the largest margin balance were from 150% and above. As a result, securities companies are planning to increase capital by issuing shares to improve their margin lending capacity.

Figure 11. Margin balance and margin ratio at end-2021, top 10 biggest

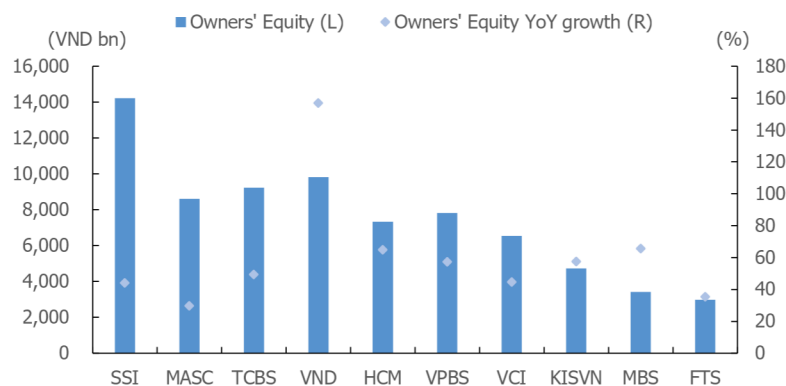


Source: Company data, Korea Investment & Securities

Note: Margin ratio is calculated by margin balance divided to owners' equity of the company. As regulated by Securities Law, the maximum margin ratio is 200%.

Capital raised from the stock market through issuing shares helps securities companies increase margin lending ceil as well as funds for operation. VND pushed their lending activities in 2021 when increasing margin and equity by 265% and 157% respectively. SSI, the securities companies with the biggest owners' equity, also increase 44% in owners' equity and uplifted their margin by 152%. In the other hand, MAS, the company that had held the top 1 in margin lending from 3Q19 to 3Q20, failed to catch the speed of SSI due to its high margin ratio. In almost all companies, the growing pace of margin exceeds the growth rate of capital. As a result, margin ratios are moving to reach the 200% ceil which creates pressure for companies to raise their equity. Notably, VND was the company that grew its owners' equity up to 160% in 2021 while other companies increased just below 80%.

Figure 12. Owners' Equity balance and YoY growth at end-2021

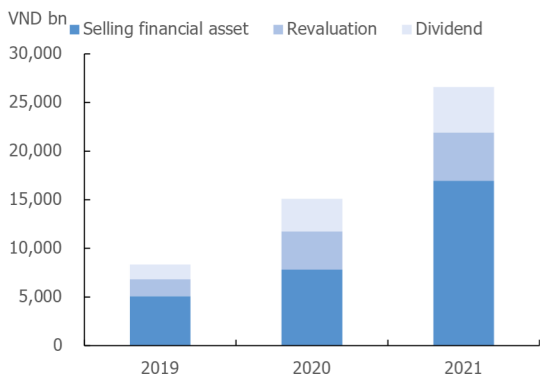


Source: Company data, Korea Investment & Securities

2. FVTPL revenue was flourishing in 2021

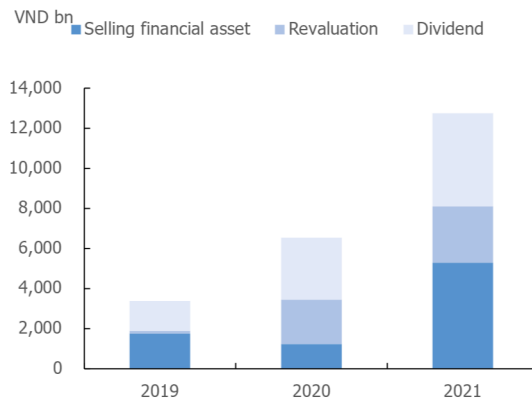
Fair value through profit and loss (FVTPL) revenue was up 76% yoy in full-year 2021. With the VNINDEX uptrend in this year and low base in 2020, the profit from selling financial assets skyrocketed to VND 5,296bn (+331% yoy). In full-year 2021, selling financial assets accounts for 63% of FVTPL revenue and 41% of FVTPL profit. Another profit in FVTPL was from dividends when holding financial assets. It also increased by 50%, reached VND4,642bn, and accounted for 36% of FVTPL profit. However, this source might not be as profitable in 2022F.

Figure 13. Sector's revenue from FVTPL 2019-2021 by category



Source: Fiinpro, Korea Investment & Securities

Figure 14. Sector's net profit from FVTPL 2019-2021,

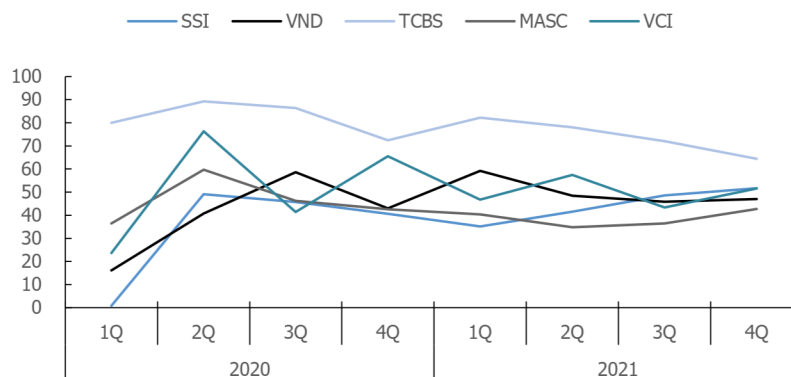


Source: Fiinpro, Korea Investment & Securities

3. Gross profit margin affected the bottom line differently

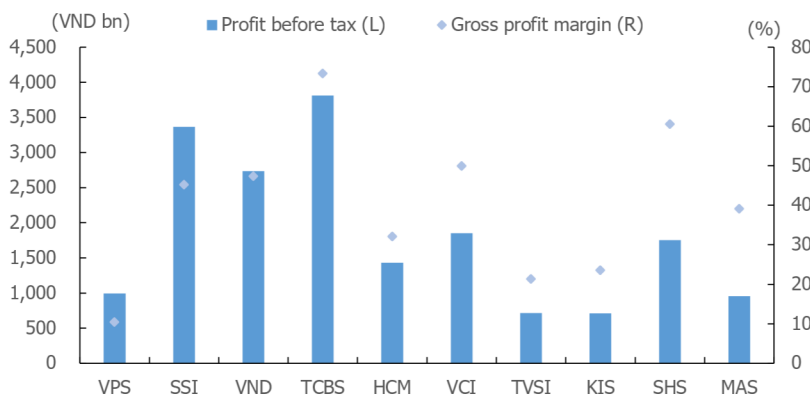
High revenue did not translate to splendid profit when the gross profit margin (GPM) among securities companies differs a lot. VPBS had a trade-off between market share and profit when its GPM is significantly thin at 10%. In the meantime, big securities were still able to maintain their GPM over 40% such as SSI, VND, and TCBS. TCBS continues the champion in operating efficiency with the highest profit despite the fourth place in revenue. SSI and VND had the same GPM, higher revenue led to higher profit for SSI.

Figure 15. Gross profit margin at top 5 securities companies, quarterly



Source: Fiinpro, Korea Investment & Securities

Figure 16. PBT and GPM in top 10 securities companies, full-year 2021

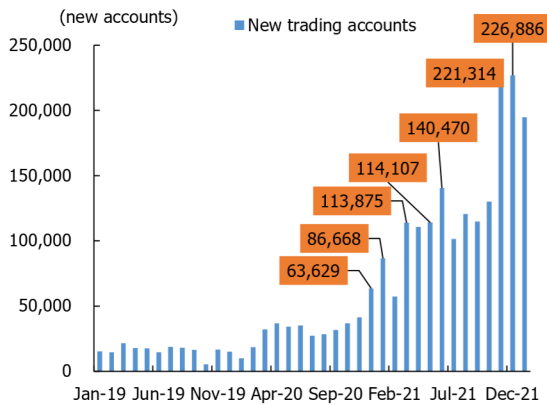


Source: Company data, Korea Investment & Securities

No worry in 1Q22F

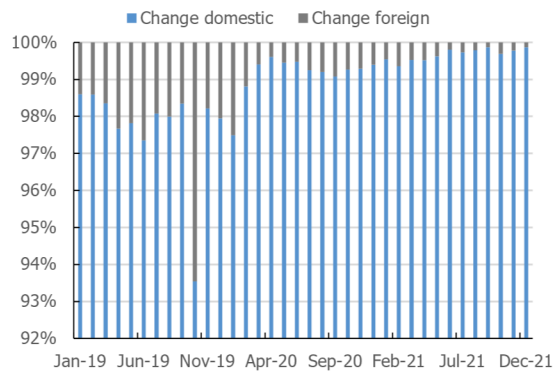
We estimate that the ADTV in 1Q22F stays at VND22tn-23tn, 15% yoy. Revenue from brokerage and margin lending still contribute much to revenue and profit structure. Therefore, the business results in 1Q22F are guaranteed to show positive YoY figures. For the second half of 2022, we will have to wait for the market movements in order to estimate the performance of securities companies.

Figure 17. New trading accounts number is continuously breaking record high



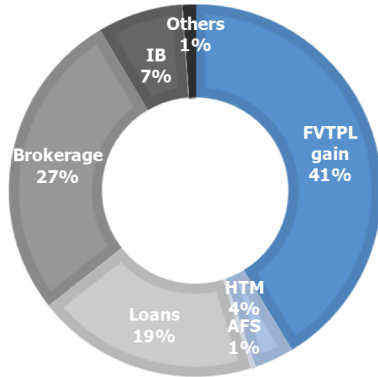
Source: VSD, Korea Investment & Securities

Figure 18. Types of new investors joining Vietnam market



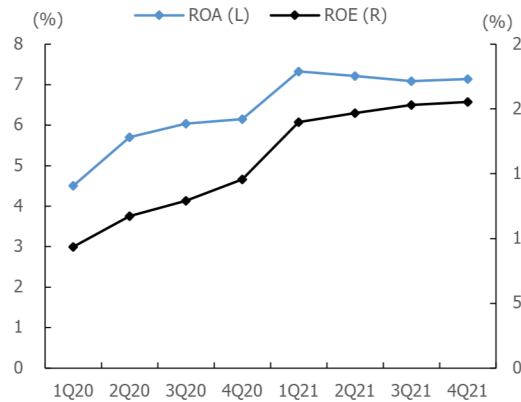
Source: VSD, Korea Investment & Securities

Figure 19. Revenue mix in 2021



Source: Fiinpro, Korea Investment & Securities

Figure 20. Sector ROA & ROE



Source: Company data, Korea Investment & Securities

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