

1 Nov 2021

Tien Phong Security (ORS)

Pre-listing brief

Tien Phong Security (ORS VN Equity) gets approval from the HSX to list on HSX. The first trading date on HSX will be on Nov 4th 2021, reference price is VND 28,300/share.

The old days have passed

ORS was formerly known as Orient Securities Corporation, established in 2006. Suffering a net loss streak in 2016-2018, ORS was delisted from HNX and moved to Upcom due to a violation of listing requirements. In Apr 2019, the company changed its name to Tien Phong Securities, and belongs to Tien Phong Bank (TPB VN Equity) ecosystem. ORS quickly changed the management team as well as the strategy to restructure the business. In 2020, revenue pegged at VND390bn (+125% yoy), and net profit was 104bn (+96% yoy). In 1H21, net profit swelled to VND150bn, exceeding FY2020 by 69%.

Investment banking speeds up the revamp

Breaking down the revenue structure in 2020, investment banking was the major revenue generator with VND306bn (+97% yoy, 78% of total revenue). The size of this revenue was even bigger than companies who also focus on IB activities such as Military Bank Securities (MBS), Vietnam Prosperity Bank Securities (VPBS). Notably, ORS actively plays the roles of bond advisory service provider and bond market maker.

Road to better fundamentals

In 1H21, ORS issued a VND1,000bn bond and increased charter capital by VND1,000bn. According to the company's plan on using additional new fund, 75% will spur margin lending while the rest is for prop trading. The new capital balance of VND2,000bn helps sharpen ORS's competitive edges with other competitors. As of end-3Q21, the margin loan was VND1,277bn, +10x YTD. In 3Q21, the brokerage commission skyrocketed to VND21bn, +2.4x yoy, and interest income from lending boomed to VND26bn, vs VND243mn in 3Q20.

	2016A	2017A	2018A	2019A	2020A
Net Revenue (VND bn)	13.3	17.9	20.6	173.4	390.1
chg. (% YoY)	(77.6)	34.6	15.3	742.0	125.0
EBT (VND bn)	(13.5)	(3.0)	(10.7)	50.9	103.7
Net profit (VND bn)	(13.5)	(3.0)	(10.7)	54.4	89.3
EPS (VND)	(562.7)	(124.7)	(444.3)	1,698.9	1,275.2
chg. (% YoY)					(24.9)
PE (x)	(52.5)	(236.8)	(66.5)	21.7	33.1
PB (x)	9.9	10.3	12.5	4.4	3.1
ROE (%)	(17.2)	(4.3)	(17.0)	33.1	14.5
ROA (%)	(2.9)	(0.7)	(4.1)	27.2	7.1

Source: Fiipro, Company data, KIS

Stock Data

Company name	Tien Phong Securities
Ticker	ORS
Scheduled listing day	04/11/2021
Exchange listed	HSX
Reference price (VND)	Average 20-day
Sector	Financial
Sub-sector	Securities
Paid-in capital (VND bn)	2,000
Listed shares	200,000,000
Outstanding shares	200,000,000

Major shareholders (%)

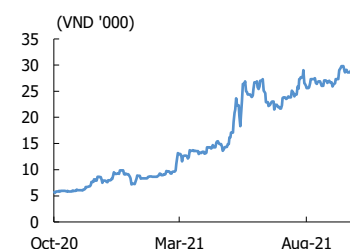
Tien Phong Bank	9.01
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Source: Company data

Performance

	1M	6M	12M
Absolute (%)	6.6	115.0	377.7
Relative to VNIndex (%p)	3.4	103.8	327.5

Stock price trend (Upcom exchange)



Source: Bloomberg

Tri Duong
tri.dd@kisvn.vn

Leverage the technology

Per management, its largest shareholder, TPB is among the best banks in digitalization with state-of-the-art technology. The bank experiences in operating Timo, a digital banking platform, and LiveBank, an automatic banking stall thanks to a high-skill IT workforce. By integrating securities services with the current banking system, ORS benefits from banks' clients and achieves cost efficiency. Techcombank securities (TCBS) is the pioneer with such strategy and currently performs well. Thus, we are positive that the direction is promising for ORS. In addition, ORS also enhances its strength in advisory services in debt markets and develops other IB activities in the equity market.

2021F guidance conservative

In 2021F, ORS sets a net profit target of VND146bn, +63.5% yoy and a TOI of VND623bn, +59.7% yoy. Vietnam surprisingly enormous market liquidity spurred all broking players, and ORS was among the beneficiaries. In 9M21, TOI swelled at VND891.7bn, +3.5x yoy and net profit jumped to VND180.3bn, 3x yoy which all far exceeded the full-year guidance. The market is anticipating that ORS could reap a VND200bn net profit in 2021F driven by the buoyant market liquidity of VND20-21tn stayed unchanged in Oct.

Valuation in line with industry

ORS was delisted from Upcom from Oct 28th 2021. The first trading date on HSX will be on Nov 4th 2021, reference price is VND 28,300/share. Currently, ORS is trading at 16x TTM PE and 2.8x PB respectively, which are in line with the sector average (PE 17x and PB 3.0x). The 1-year return of ORS is advancing by 378%, beating the VNINDEX.

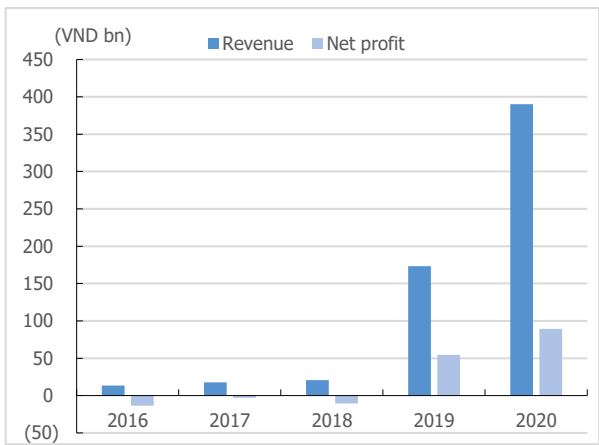
Quarterly and annual earnings

(VND bn)

	3Q20	4Q20	1Q21	2Q21	3Q21	qoq (%)	yoy (%)	2021 Target
Net revenue	104	138	255	286	351	22.8	238.3	623
SG&A	11	22	17	24	29	19.8	149.5	
Cost income ratio (%)	21	32	11	19	23	(2.4)	(26.2)	
EBT	29	26	116	59	47	(20.6)	64.8	182
NP	23	21	97	54	30	(44.8)	30.3	146

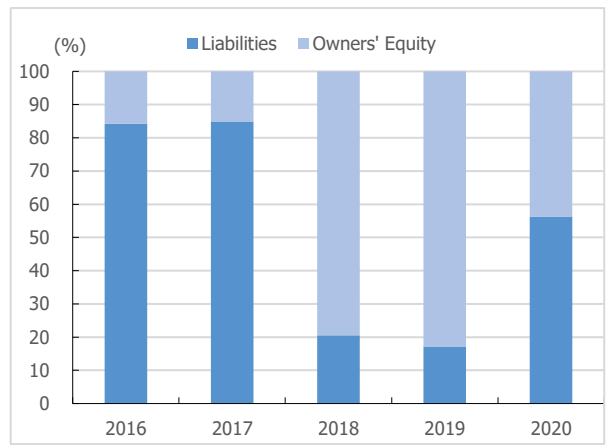
Source: Fiinpro, Company data, KIS

Figure 1. ORS's revenue and net profit



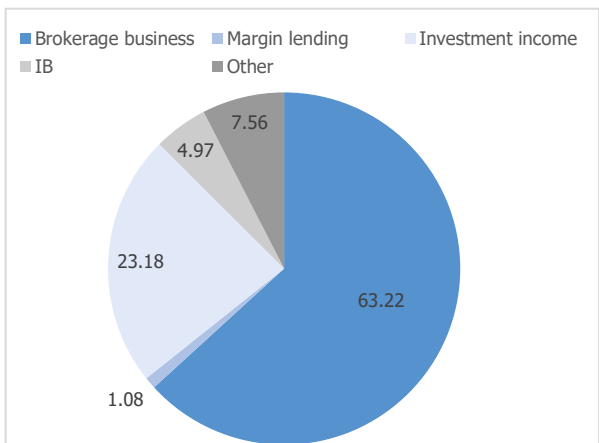
Source: Company data, KIS

Figure 2. ORS's asset structure



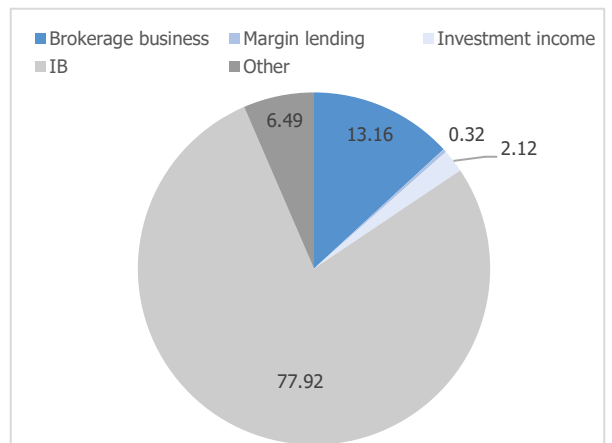
Source: Fiinpro, KIS

Figure 3. ORS's revenue structure in 2017



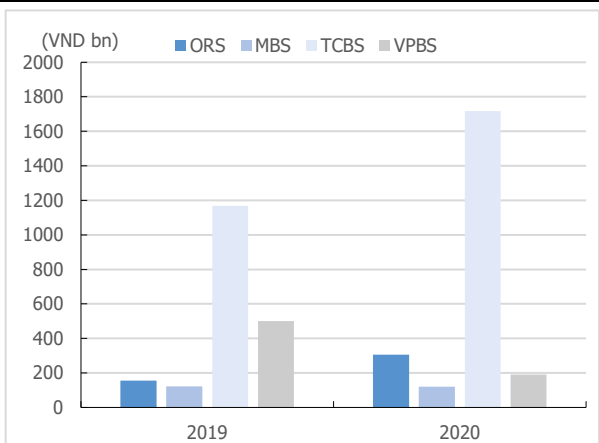
Source: Company data, KIS

Figure 4. ORS's revenue structure in 2020



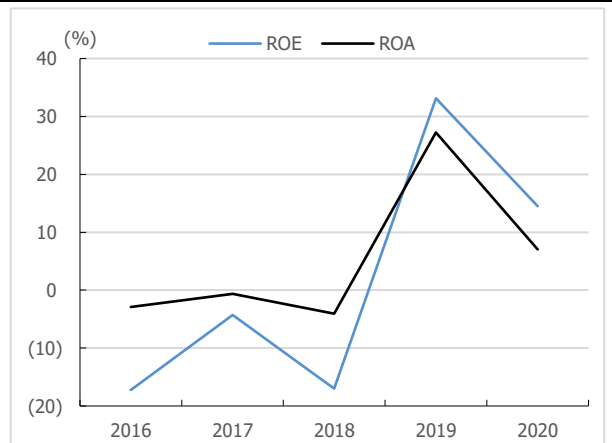
Source: Company data, KIS

Figure 5. Revenue from IB activities



Source: Company data, KIS

Figure 6. ROA & ROE



Source: Company data, KIS

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Prepared by: Tri Duong

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