

8 Aug 2023

HCM Development (HDB)

Tough times for consumer finance

AM briefing

- We tuned in to HDB's analyst meeting on Aug 08 which shed some light on its 2Q23 operational updates.

2Q23 profit stayed flat

- 2Q23 PBT stayed flat at -1.2%yoy (to VND2,741bn) due to a high provision expense (86%yoy). NII (+9%yoy), NFI (45%yoy), and manageable OPEX (2Q23 CIR of 35% vs 2Q22 CIR of 36%) were contributing factors to profit growth.
- 2Q23 PBT of the parent bank and HD Saison grew at 10.6%yoy (to VND2,690bn) and -85%yoy (to VND51bn) respectively
- Accumulated results, 1H23 PBT rose by 3.4%yoy to VND5,484bn, completing 42% of 2023 target.

Credit growth accelerated thanks to commercial loan

- 2Q23 total credit rose up 9.3% YTD to VND293,129bn, nearly equals to 1Q23's 9.0% YTD and the 1st credit quota of 10.5%.
- Loan balance (accounts for 98% of total credit) grow 8.9%YTD and -0.4%qoq. In 1H2023, HDB focused on lending to the commercial loan (+17%YTD, 48.6% of total loan) rather than retail loan (+2.7%YTD, 43% of total loan) and consumer finance (-7.4%YTD, 5.4% of total loan). Furthermore, the management views that the retail loan could improve in 2H2023 amid the market recovery.
- Deposit growth surged 40.2% YTD and 19.1%qoq. 2H2023 could slow down for the exceed mobilization and COF control, per company
- Current credit quota is 15%; and 2023 credit balance could grow to 24% in 2023 as the company's target

12M rating **NON-RATED**

12M TP

Up/Downside

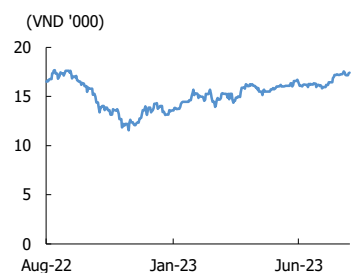
Stock Data

VNIndex (Aug 08, pt)	1,243
Stock price (Aug 08, VND)	17,400
Market cap (USD mn)	2,121
Shares outstanding (mn)	2,893
52-Week high/low (VND)	17,688/11,550
6M avg. daily turnover (USD mn)	1.88
Free float / Foreign ownership (%)	70.2/20.0
Major shareholders (%)	
Sovico	14.48
Pyn Elite Fund	1.85

Performance

	1M	6M	12M
Absolute (%)	9.0	15.2	5.4
Relative to VNIndex (%p)	(0.4)	(1.8)	5.0

Stock price trend



Source: Bloomberg

	2018A	2019A	2020A	2021A	2022A
TOI (VND bn)	9,440	11,388	13,779	16,758	21,967
chg. (YoY)	25.8	20.6	21.0	21.6	31.1
PPE (VND bn)	4,999	6,308	7,607	10,376	13,336
Net profit (VND bn)	2,842	3,605	4,249	6,054	7,750
EPS (VND, adj.)	2,897	3,675	2,667	2,403	3,081
chg. (YoY)	47.4	26.9	-27.4	-9.9	28.2
PB (x)	1.09	0.89	1.22	1.20	1.19
PE (x)	6.02	4.75	6.60	5.78	5.69
P/PPE (x)	3.4	2.7	3.7	3.4	3.3
NIM ()	4.0	4.7	4.8	4.4	5.1
ROE ()	20.3	21.6	20.6	23.3	23.5
ROA ()	1.6	1.8	1.7	1.9	2.1
Dividend yield ()	0.00	0.00	0.00	0.00	5.76
CAR ()	12.1	11.2	12.1	14.4	13.4

Note: Net profit, EPS and ROE are based on figures attributed to controlling interest

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Sustainable NIM

- Consolidated 1Q23 NIM fell slightly to 5.0% (vs 5.1% in 2Q22 and 1Q23). Of which, the parent company maintained the NIM at 3.9%.
- The management views that NIM could be higher in 2H2023 and maintain at 5%-5.2% in 2023 thanks to improving loan yield and healthy credit growth.

Strong NFI growth

- 2Q23 NFI climbed 45%yoy (VND1,337bn) thanks to the strong income growth from securities trading and investment. Meanwhile, the services income was down 28%yoy.
- Banca activities in 1H2023 were affected by the government's investigation activities as the sector trend.

OPEX

- 2Q23 OPEX rose 10.1%yoy due to high management expense. 2Q23 CIR maintained at 35%(vs 2Q22's 36%). 2023 CIR could be controlled at 35%-37%

Asset quality

- 2Q23 NPL (2-5 group) and NPL (3-5 group) accelerated to 7.2% (vs. 1Q23's 5.1%) and 2.2% (vs. 1Q23's 1.8%) respectively. The segments attributing to the NPL increase include Retail (61% of total bad debt balance), Customer finance (20%), and Commercial loan (19%).

Recommendation and Ratings

- HDB is trading at PB of 1.3x, lower than private peers' average of 1.66x and the five-year average of 1.65x (27% premium).

Table 1: Snapshot of income statement

Units: VNDbn, %

	2Q22	1Q23	2Q23	q/q	n/n	6T22	6T23	n/n
Net interest income	4,551	4,841	4,955	2.4	8.9	8,595	9,795	14.0
Total operating income	5,582	5,657	6,413	13.4	14.9	10,704	12,071	12.8
Profit before provision expense	3,548	3,699	4,175	12.9	17.7	6,745	7,874	16.7
PBT	2,776	2,743	2,742	0.0	-1.2	5,304	5,484	3.4

Source: Fiinpro, company data

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