

HO CHI MINH CITY SECURITIES CORPORATION (HSX - HCM)

March 17, 2016



RECOMMENDATION REVISION: BUY

Given a target price of VND33,800 – 6.3 percent above the current price and bullish short-term outlook, we update our recommendation from HOLD to BUY based on the following investment thesis:

- ❖ We expect that, in the upcoming AGM in April 2016, HCM will announce a relaxation of its foreign ownership limit. This revision will make HCM even more appealing to foreign investors because its room for foreign investors is currently nearly full.
- ❖ The securities sector continues to be restructured, and the total number of securities companies is expected to be reduced to 30 by 2020. Market share will then be concentrated among the large players such as HCM.
- ❖ Although 2015 business results were not encouraging, this is an overall industry trend due to unfavorable market conditions. Nevertheless, HCM was still among the top 10 securities companies in terms of brokerage market share. The company is also among those with the largest share of foreign institutional clients, accounting for about a third of this segment.
- ❖ As mentioned in the previous update report, a series of upcoming regulatory changes will positively impact HSC, including Circular 203 which allows investors to purchase and sell the same security on the same day, the Circular 210 amendment, and Decree 42 on derivatives and derivatives markets.

With a solid foundation, we believe that HCM will be able to fully exploit these advantages, which should be the key driving force for an upcoming uptrend of the stock.

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