

Ho Chi Minh City Securities Corporation (HCM)

October 22, 2014

COMPANY UPDATE BRIEFS



HCM: 9M2014 Net income reached VND320.2 billion, increased by 78% y-o-y to achieve 93.8% of its full year target.

In 9M2014, Ho Chi Minh Securities Company (HSC) recorded VND640.2 billion (USD30.1 million) in net revenue, up 47% compared to 9M2013, with brokerage activities accounted for 36%, proprietary trading 28% and margin trading 27% of net revenues.

Brokerage: brokerage revenues recorded the highest growth and reached VND219 billion (USD10.3 million), up 62% compared to 9M2013. This was the result of growing market trading value by over 108% y-o-y, in conjunction with HSC's aggressive strategy in increasing its margin lending activities. In the third quarter, HSC remained a big player in the market with 12.34% and 8.37% market share in the HSX and HNX respectively, thereby ranking second in HSX behind SSI and first in HNX, with total market share of 11.28%, ranking second, behind SSI.

Margin trading contributed VND170 billion (USD8 million) to net revenues, recorded a high growth rate of 50% y-o-y. This was explained by the abrupt rise of 85% in receivables from margin trading, which has reached VND1,884 billion (USD88.7 million) in 9M2014. Recently, HSC announced its plan to borrow VND1,400 billion (USD65.9 million). The loan will likely be used to supplement working capital serving margin lending purpose. HSC aims to regain its leading market share held previously.

Proprietary trading: Investment decreased by 34% as HSC reduced its investment position in government bonds since 2Q2014 and slanted toward stock investment. Proprietary trading revenues reached VND177 billion (USD83.3 million), up 116% versus 9M2013, with growth mainly in 6T2014.

Pre-tax profit in 9M2014 was VND409.8 billion (USD19.3 million), an increase of 71% y-o-y. HSC achieved VND320.2 billion in net profit (USD15.1 million), up 78 % y-o-y. In sum, HSC has achieved 86% of its net revenues target and 93.8% of its net profit target of this year.

Today, the stock closed at VND37,900, trading at P/E of 12.86x, P/B of 2.11x, which was lower than the industry average P/E of 13.81x and higher than industry average and P/B of 1.24x.

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