

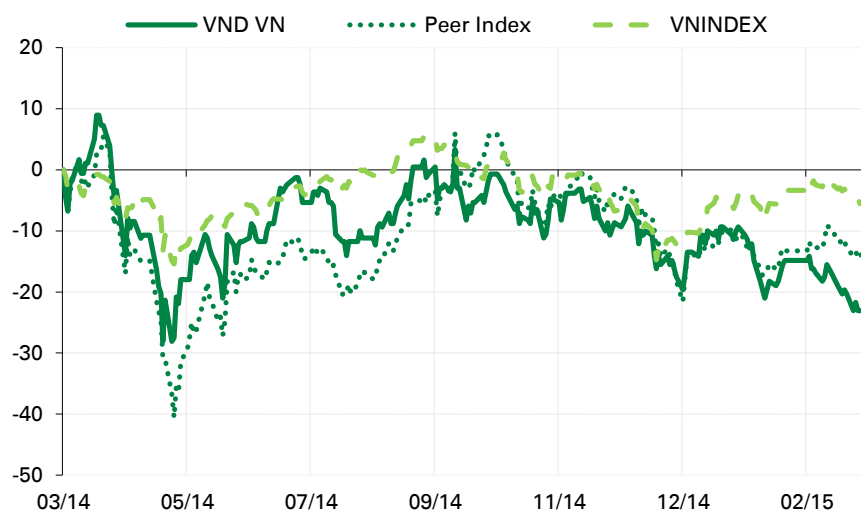
# VNDIRECT SECURITIES CORPORATION (HNX – VND)

March 23, 2015

## COMPANY UPDATE: **HOLD**



Current Price (03/23/2015):	VND	11,000
Target Price:	VND	12,400
Short-term recommendation:	HOLD	
Resistance level:	VND	12,700
Support level:	VND	10,400
Bloomberg ticker: <b>VND VN</b>	Exchange:	HNX
Industry: Securities		
Beta		1.2
52w High / Low (VND)		15,867/10,469
Outstanding Shares (mn)		154.99
Market Cap (VNDbn)		1,100
Free Float (%)		99.58%
LTM Avg Trading Vol		1,594,680
Foreign-owned Ratio (%)		20.77%



In this update report, we lower our target price for VNDirect Securities Corporation (VNDS) from VND14,518 to VND12,400, but still maintain our HOLD recommendation (see page 10). Our recommendation is based on the following:

- ❖ **We maintain a positive outlook for the stock market in 2015** thanks to stable macroeconomic conditions and the development of new financial products.
- ❖ **However, new regulations are likely to reduce market liquidity.** Circular 36 and the draft amendment of Circular 210, tightening flow of funding and the operation of securities companies, is likely to reduce overall market liquidity and margin lending.
- ❖ **Mixed market share results:** VNDS's overall brokerage market share increased from 5.80% in 2013 to 6.27% in 2014. Market share on the HSX increased from 5.32% in our previous report to 5.81%, but market share on the HNX decreased from 7.94% to 7.08%.
- ❖ **Impressive revenue growth offset by weak cost controls:** While revenue grew 65.7%, cost of sales and G&A expenses increased over 88%, resulting in a lower profit margin in 2014.
- ❖ **New shares diluted earnings:** VNDS issued VND550 billion (USD25.6 million) of shares in December 2014, which would dilute EPS by approximately 55 percent.

Year	Cash Dividend (VND)	EPS (VND)
2015F	0	1,183
2014	500	1,528
2013	0	1,248
2012	0	786

	2009-14 CAGR	2014 (VND bn)	2014-19 CAGR
Revenue	3.9%	435.3	26.3%
Net Income	-5.8%	157.3	29.0%
Ratio	VND	Peers	VNI
P/E	10.0x	9.6x	12.7x
P/B	1.0x	1.1x	1.8x
ROE	10.1%	11.6%	14.6%

### Company Description:

- VNDS officially started operations with initial capital of VND50 billion in 2006, listed on the HNX in 2010.
- VNDS provides a full range of securities services, with a focus on brokerage services.
- As at FY2014, total assets were VND2,942 billion (USD137.1 million) and total equity was VND1,835 billion (USD85.5 million).

Please see important disclosure information at the end of this report.

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## INDUSTRY UPDATE & OUTLOOK

### Market liquidity increased by 119% in 2014

The total market trading value of stocks in HSX and HNX in total reached VND732,590 billion in 2014, an ascent of 119% y-o-y. Particularly, market trading value of the HSX increased by 109% and market trading value of the HNX increased by 154%. Most securities companies benefited from the liquidity surge, showing vast improvement in brokerage revenue and proprietary trading revenue.

### Market interest rates declined

Interest rates across the board declined substantially in 2014. Government bonds' yields dropped during the third quarter across all tenors, but especially so for the short- and medium-term. At the end of September, one-, two-, three-, five- seven-, ten- and fifteen-year tenors stood at 4.33% (-2.22% y-t-d), 4.68% (-2,37% y-t-d), 4,92% (-2.59% y-t-d), 5.38% (-3.05% y-t-d), 6.25% (-2.63% y-t-d), 6.63% (-2.42% y-t-d) and 7.23% (-1.84% y-t-d) respectively. As a result, we have seen securities companies liquidate their bond investments to record trading gains in the second and third quarter. At the same time, interest income in most securities companies declined given banks also lower their deposits interest rates by 1.5-2.0 percent.

### Circular 36 limits on margin lending

On November 20, 2014, the SBV issued Circular 36 which governs safety limits and ratios of commercial banks' operation. Particularly, Article 14 stipulates that the proportion of credit for equity investment must not exceed 5% of a bank's charter capital (down from the previous restricted level of 20% of charter capital for securities investment). In addition, among other strict conditions applied, only banks with NPL ratios below 3% are allowed to offer credit to customers to invest in stocks. Therefore some banks that were among the biggest financiers of stock purchases may no longer be eligible to participate. The market reacted strongly to the expectation of funding flying out of the market. Even before the official release of the Circular, it already had certain negative impacts on stock market sentiment. The VN-Index lost 35 points (5.8%) within ten days, from November 18 to 28, 2014.

To prepare for the possible reduction of fund for stock investment from banks, a number of securities companies promptly raised fund (equity capital, corporate bond issuance, banks borrowing) to enhance their financial strength and capacity to conduct margin lending. We can name here:

➤ SSI:

- January 19, 2015: SSI successfully issued its first trench of VND500 billion unsecured straight bond (two-year maturity, 8.2% annual coupon rate for the first year, average 12 month deposit interest rate of the four SOCBs plus a margin of 2.2% for the second year). In total, SSI plans to issue VND1,500 billion of corporate bond in 2015.
- February 24, 2015: SSI issued over 2.3 million share ESOP (0.65%) at price of VND22.700, raising its equity capital by VND52.6 billion (USD2.45 million) to VND3,561 billion (USD165.9 million)

*Brokerage and proprietary trading revenues increased thanks to market's liquidity surge.*

*Increased trading gains from bonds liquidation but decreased interest income as market interest rates declined across the board.*

*Circular 36 limits which banks can lend for stock investment and how much they can lend.*

*Securities companies promptly raised fund to enhance their capacity for margin lending.*

- March 6, 2015: SSI issued bonus shares for current shareholders at 5:1 ratio. Additionally, SSI also plans to issue stock dividends for its shareholders in 2015 at a rate of 10%.
- HSC: On October 9, 2014, HCM has disclosed contents of board decisions to borrow from banks in order to raise the working capital up to VND1,400 billion (USD65.2 million)
- VCBS: VCBS successfully issued two trenches of corporate bonds via private placement in October 2014 (VND200 billion) and in January 2015 (VND300 billion) with terms of 2 years and coupon rate of 8.5% in the first semiannual and coupon rate will be equal to deposits interest rate plus a margin of 2% for the following semi annuals. The third trench is expected to be issued publicly in the 2Q2015. In addition, VCBS plans to raise its charter capital from VND700 billion to VND1,500 billion (likely from the parent bank VCB) in 2015.
- KIS: KIS Vietnam received capital injection from the parent company KIS Korea, raising its charter capital from VND263.7 billion to VND1,112.8 billion.
- MBKE: MBKE Vietnam received capital injection from its parent company, raising its charter capital from VND300 billion to VND829.1 billion.
- Techcombank Securities also received VND700 billion capital injection from the parent Techcombank, raising its charter capital to VND1,000 billion (USD million)
- VNDS: After a two-year delay, in November 2014, VNDS finally successfully issued 50 million new shares for existing shareholders at VND10,000 per share, raising VND500 billion (USD23.3 million) of new capital. At the same time, VNDS also issued 5 million bonus shares to existing shareholders from its retained earnings. As of FY2014, VNDS's charter capital stood at almost VND1,550 billion (USD72.2 million), ranking fifth in terms of charter capital.

### Impressive performance of top securities companies

Most securities companies recorded substantial growth in revenue and net income in 2014. While proprietary trading and brokerage services contributed the most to the revenue growth, other revenues (which mainly comprise of interest income and margin lending revenue) grew less aggressively. Advisory did not record much of an improvement across the board.

Company	Revenue 2014	Revenue y-o-y growth	Net Income 2014	Net Income y-o-y growth	Revenue breakdown			
					Brokerage	Proprietary trading	Advisory	Others
SSI	1,600.72	98.67%	744.24	100.14%	334.23	770.47	20.97	475.05
HCM	831.14	30.94%	376.15	33.31%	299.43	194.43	12.36	324.92
VCSC	614.32	53.79%	143.97	99.49%	286.04	129.51	89.90	108.87
BSC	530.70	142.88%	75.40	399.34%	113.90	150.30	48.30	218.20
VNDS	435.29	65.75%	157.35	26.46%	185.53	52.86	7.13	189.78
SHS	399.80	196.15%	122.10	952.59%	95.00	168.40	53.20	83.20
MBS*	388.40	1453.60%	72.70	3060.87%	120.50	111.40	28.50	128.00
ACBS	367.20	-20.36%	248.80	176.14%	147.30	29.70	2.60	187.60
VCBS	352.80	43.41%	121.00	28.45%	105.10	166.30	6.40	65.30
BVSC	305.10	47.11%	131.10	52.80%	44.70	61.00	5.50	129.90
FPTS	255.27	41.31%	135.57	52.41%	98.21	2.77	8.00	146.29
KLS	230.50	37.45%	144.79	4.69%	9.40	88.90	1.42	130.78
MBKE	189.00	63.21%	20.20	203.59%	93.00	0.03	3.90	92.07
SBS	73.30	-9.51%	20.90	-95.31%	20.20	38.30	0.16	14.64

*Market liquidity is expected to decline in 2015 due to the impact of Circular 36 and Circular 210 revision*

### Market liquidity is forecasted to decline in 2015

After a year with remarkable growth, and combined with the negative impact of Circular 36, which reduce the capacity of margin lending from banks and securities companies, we forecast the level of trading volume in 2015 will moderately decline. Actually the trading volume y-t-d on both exchanges has been 30% lower compared to last year.

In addition, the Ministry of Finance (MoF) recently released a draft of amendment to Circular 210 and asking for market participants' opinion. According to the draft, among other things, funding mobilization and funding usage activities of securities companies will be tighten up. The following amendments are the most significant:

Article 42: Limitation on funds mobilization:

Although the cap on the total liabilities/equity capital ratio is kept unchanged at three times, fund mobilization activities are limited to three major approaches:

- 1) bank borrowings;
- 2) securities issuance through both private placement and public issuance; and
- 3) subordinate debt (convertible bonds) issuance.

Besides these three approaches, securities companies are **not** allowed to mobilize funds from other institutions and individuals under any kind of "contracts" such as trilateral cooperation contracts, capital contribution contracts, or any other agreements that have the nature of a borrowing-lending agreement. These types of contracts have been used widely among securities companies and such amendment will affect many market participants.

Article 43: Limitation on funds lending:

The amendment of Article 43 clarifies what has been stated under Circular 210. Lending activities of securities companies are limited to the following:

- 1) Securities companies who register for a margin lending license can lend funds to customers under guidance of the SSC;
- 2) Securities companies can do stocks lending to correct transaction errors, or to perform swap transactions of fund certificate (ETFs) under relevant regulations;
- 3) Securities companies can deposit funds at credit institutions and invest in bonds under relevant regulations.

Besides these lending activities, securities companies are **not** allowed to lend funds or stocks under any other methods. The provision that securities companies cannot lend or entrust funds to major shareholders, supervisory board members, board of directors members, management board members, chief accountants, or other management executives and related parties is kept the same.

These amendments, if approved, will have a positive long term impact, strengthening the financial capabilities and improving operating efficiency and transparency of securities companies. In short term, however, they might reduce the ability to raise fund of securities companies, which in turn, will limit their growth and margin lending capacity to the market.

## COMPANY UPDATE

### 2014's earnings results

VNDS's 2014 revenue reached VND435.28 billion (USD20.3 million), up 66 percent compared to last year, and beat VPBS forecast by six percent.

Unit: VND mn	1Q14	2Q14	3Q14	4Q14	2013	2014	VPBS forecast	y-o-y growth	Actual vs. forecast
<b>Revenue</b>									
Brokerage revenue	47,692	38,174	49,698	49,965	82,634	185,528	179,015	125%	4%
Proprietary trading	12,717	14,346	14,701	11,074	65,598	52,838	71,006	-19%	-26%
Interest Income	19,166	19,123	17,911	16,134	77,792	72,334	55,612	-7%	30%
Margin lending	23,807	21,886	30,910	38,037	34,020	114,640	102,141	237%	12%
Advisory	673	852	451	5,150	910	7,125	955	683%	646%
Others	515	601	578	1,115	1,665	2,810	1,747	69%	61%
<b>Revenue</b>	<b>104,568</b>	<b>94,983</b>	<b>114,250</b>	<b>121,474</b>	<b>262,619</b>	<b>435,275</b>	<b>410,476</b>	<b>66%</b>	<b>6%</b>

### Brokerage services

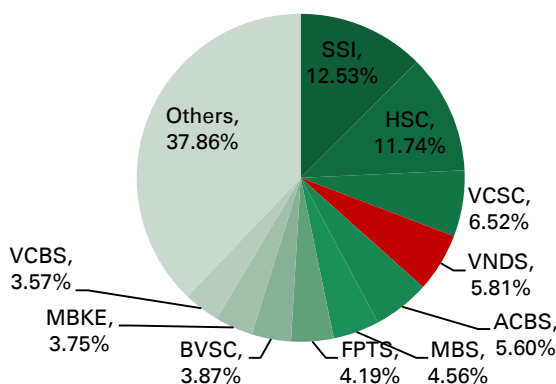
*VNDS maintained its strong market share position but lost some ground on the HNX.*

Brokerage has always been the primary focus of VNDS, and this year brokerage services continued to contribute the largest portion (42.6 percent) to total revenue with over VND179 billion (USD8.34 million), increasing 125 percent y-o-y. As the total trading volume of the market in the 2014 increased almost 120 percent, the surge in VNDS's brokerage revenue did not come as a surprise. Looking at brokerage market share figure, however, VNDS seemed to be losing its market position on the HNX in the 2H2014.

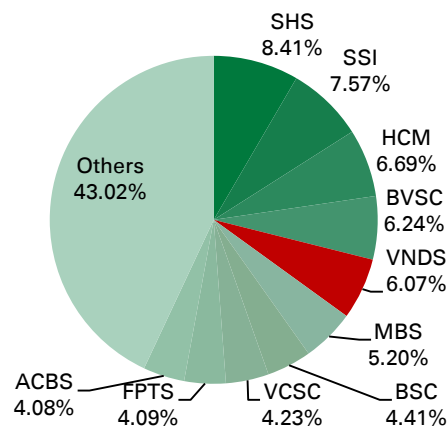
	1Q2014	2Q2014	3Q2014	4Q214	2014	2013
HSX	6.13%	5.32%	5.95%	5.71%	5.81%	5.31%
HNX	7.93%	7.94%	6.88%	6.07%	7.08%	7.38%

As of year-end 2014, VNDS ranked forth on the HSX (FY2014) and ranked fifth on the HNX (4Q2014), which was three ranks below FY2013.

Brokerage market share on the HSX 2014



Brokerage market share on the HNX 4Q2014



Source: HSX, HNX

### Proprietary trading

Proprietary trading was not a focus of VNDS in 2014, with contribution to total revenue of only 12.1%. While we have seen very strong growth in proprietary trading



revenue in many securities companies given the ups (mostly) and downs of the equity market in 2014, VNDS's proprietary trading actually declined by over 19 percent compared to last year. As of FY2014, the value of VNDS's short term investment was recorded at VND570 billion (USD26.5 million), in which value of listed securities amounted to VND286 billion (USD13.3 million). By the end of 2014, total market value of listed stocks was still lower than their book value by VND38.16 billion. Among listed securities, the value of SDU accounted for 38 percent and this stock's market value by the end of 2014 was lower than its book value by VND63.3 billion.

### **Margin lending**

*Margin lending grew significantly but was still within new regulatory limits.*

Similar to brokerage services, margin lending activities are also highly correlated with the overall market trading activities. For FY2014, total margin lending revenues achieved over VND102 billion (USD4.75 million), up 237 percent y-o-y, and accounting for 26.3 percent of total revenue. The average advances and margin lending balance also increased substantially by 80.4 percent in 2014.

According to Article 13 of Decision number 637 of the SSC, which regulates margin lending activities of securities companies, the ratio of total margin lending balance to total equity capital must be less than 200 percent. As of December 30, 2014, VNDS advances to customer and margin lending balances was worth over VND851 billion and equivalent to 46 percent of its total equity capital. Therefore, VNDS still has room for margin lending when banks tighten up their lending for the purposes of stock investment due to the effects of Circular 36.

### **Interest Income**

In contrast with the uptrend of brokerage and margin lending, 2014's interest income declined 7 percent y-o-y given average total interest earning assets balance (cash, cash equivalent, deposits at banks with terms longer than three months) increased by 34 percent but the interest rates earned declined by 31 percent (from 15.2 percent p.a. in 2013 to 10.5 percent p.a. in 2014)

### **Advisory**

Corporate finance and advisory services do not seem to be VNDS's strength. As of FY2014, VNDS recorded over VND7 billion (USD0.33 million) advisory revenue, huge growth compared to FY2013's, but accounting for only 1.63 percent of total revenue.

### **Cost of sales & SG&A expenses**

*Margins declined due to higher staff costs.*

Cost of sales (COS) and SG&A expenses in 2014 increased 147 percent and 54 percent y-o-y, respectively. The largest part of COS and SG&A is staff cost, which accounted for 29.5 percent of revenue. 2014's staff costs mounted to over VND128 billion, which was more than two folds of 2013's. Brokerage expense is another major expense, which accounted for 20.8 percent of brokerage revenue.

Unit: VND mn	1Q14	2Q14	3Q14	4Q14	2013	2014	VPBS forecast	y-o-y growth	Actual vs. forecast
<b>Expenses</b>	<b>45,464</b>	<b>60,682</b>	<b>61,067</b>	<b>78,062</b>	<b>130,722</b>	<b>245,275</b>	<b>225,762</b>	88%	9%
Cost of services	22,329	27,893	28,878	37,874	47,279	116,973	123,143	147%	-5%
G&A expenses	23,135	32,790	32,189	40,188	83,444	128,301	102,619	54%	25%

As expenses increased more than the increase of revenue (88 percent vs. 66 percent), VNDS's operating profit margin actually declined, from 50 percent in 2013 down to 44 percent in 2014. We mentioned in our previous update report of VNDS (published in

July 2014) that VNDS would have no problem in achieving its 2014 revenue target of VND258 billion (USD12 million), but due to its struggle in controlling expenses, pretax profit target of VND191.6 billion (USD8.92 million) would not be easy to obtain, however plausible. It turns out that, VNDS's revenue target was surpassed by 68 percent, but profit before tax was marginally met.

Unit: VND mn	1Q14	2Q14	3Q14	4Q14	2013A	2014A	2014 target
Revenue	104,568	94,983	114,250	121,474	262,619	<b>435,275</b>	<b>258,700</b>
Expenses	45,464	60,682	61,067	78,062	130,722	245,275	
Operating profit	59,104	34,301	53,183	43,413	131,897	190,000	
Profit before tax	59,337	34,554	53,102	45,382	133,005	<b>192,373</b>	<b>191,600</b>
Net profit	46,354	31,390	43,449	36,155	124,427	157,347	
Basic EPS	478	324	434	349	1,248	1,623	

### Successfully raised VND550 billion equity capital

*New capital will increase the number of shares by 55% percent.*

VNDS set out an aggressive capital raising plan in 2014, in which a maximum of VND1,080 billion (USD50.3 million) would be raised (VND500 billion convertible bonds, VND500 billion common stocks for existing shareholders, VND30 billion ESOP, VND50 billion share bonus). By the end of the year, a total of VND550 billion (USD25.63 million) equity capital was raised, including:

- VND500 billion common share issuance at face value of VND10,000 per share for existing shareholders.
- VND50 billion share bonus issuance for existing shareholders from the company's retained earnings.

VNDS charter capital was raised from VND1,000 billion (USD46.6 million) to VND1,550 billion (USD72.2 million) as of December 19, 2014. The additional capital will be allocated as follows:

- VND300 billion to expand margin lending capacity
- VND100 billion to proprietary trading activities
- VND150 billion to enhance VNDS's financial strength so that VNDS can develop its underwriting activities or acquire other securities company or fund management company.

As almost 55 million of new shares were issued in December 2014, the average number of shares in 2014 only increased by 3.3%%. The full impact of share dilution will occur in 2015 and EPS is estimated to be diluted by 50.5%.

## VALUATION AND RECOMMENDATION

### Assumption revisions

Key assumptions	2014A	2015F	2016F	2017F	2018F	2019F
Market trading volume y-o-y growth	119.5%	-10.0%	30.0%	30.0%	30.0%	25.0%
VNDS brokerage market share	6.27%	6.89%	7.51%	8.14%	8.76%	9.38%
Average brokerage commission rate	0.18%	0.18%	0.18%	0.18%	0.17%	0.17%
Margin lending balance y-o-y growth	30.0%	30.0%	30.0%	30.0%	30.0%	20.0%
Margin lending interest rate	17.3%	17.0%	17.0%	17.0%	17.0%	17.0%
Interest rate earned	11.0%	10.0%	9.0%	9.0%	9.0%	9.0%
Staff cost/Revenue	29.5%	29.0%	29.0%	29.0%	29.0%	29.0%
Brokerage expense/Brokerage revenue	20.8%	20.0%	20.0%	20.0%	20.0%	20.0%



Market trading volume:

We project a reduction of ten percent for the market trading volume in 2015. The market trading volume and value will mainly impact brokerage revenue. From 2016 to 2018, we retain our previous expected growth of 30 percent per annum.

VNDS's market share:

We retain our assumptions regarding VNDS's overall brokerage market share. Positive impact from the cooperation between VNDS and CIMB is expected to be more significant in the following years.

Brokerage commission rate:

Brokerage commission rates are forecasted to gradually decline due to increasing competition.

Margin lending balance:

Given VNDS's available capacity to do margin lending and the reduction of margin lending from banks, we forecast VNDS's margin lending balance to grow at 30 percent per annum from 2015 to 2018.

Major expenses:

Staff cost/Revenue is expected to stay at 29 percent, while Brokerage expenses/Brokerage revenue are forecasted to stay at 20 percent.

Dividend policy:

Due to the impact of Circular 36 and draft revision of Circular 210, we forecast that VNDS will not pay cash dividend in 2014 and 2015 to enhance its financial capacity.

**Valuation**

Based on our revised assumption regarding market trading activities, and our addition of P/B valuation approach, we adjust the target price for VNDS from VND14,518 to VND12,400. Therefore, our recommendation for VNDS stock at the time of issuing this update report is to HOLD.

*We adjust the target price for VNDS from VND14,518 to VND12,400.*

Method	Target price	Weight
Residual income	11,209	40%
P/E	11,327	20%
P/B	14,096	40%
<b>Target price</b>	<b>12,388</b>	

**Residual income**

We use residual income method to value VNDS share price and this model suggests a fair price of **VND11,209** per share for VNDS and incorporated the following inputs:

- The *risk-free rate* is taken from the recent yield of 5-year local currency Government bond yields, which is equivalent to 5.41 percent.
- The *equity risk premium* is estimated to be 8.76 percent.

- VNDS's *adjusted beta* is estimated to be 1.2.
- VNDS's *long-term growth rate* of residual income is estimated to be five percent.

	2015F	2016F	2017F	2018F	2019F
Net Income	183,387	234,920	311,189	417,867	563,234
Shareholders Equity	1,802,870	1,986,257	2,221,178	2,797,365	3,380,230
Capital Charge	287,053	316,252	353,656	445,396	538,200
Residual Net Income	(103,666)	(81,332)	(42,467)	(27,530)	25,033
Present Value Factor	0.86	0.74	0.64	0.55	5.07
PV Residual Net Income	(89,427)	(60,524)	(27,262)	(15,245)	126,927
Total Projected EVA	(65,532)				
Curent Book Value Equity	1,802,870				
Value of Equity	1,737,339				
Number of Shares	154,989,165				
Share Value	<b>11,209</b>				

### **Market-based valuation**

At the moment, VND is trading at P/E of 10.0x and P/B of 1.0x, similar to its peer group's average.

Ticker	Mkt Cap (VND bn)	Last Price Mar 23, 2015	P/B	P/E	ROA (%)	ROE (%)
HCM	4,071	32,000	1.7	9.6	9.8	16.0
BVS	1,040	14,400	0.8	10.7	7.0	9.8
KLS	1,804	9,900	0.7	10.6	5.6	5.9
SSI	9,230	21,600	1.4	10.7	8.4	13.1
SHS	929	9,300	1.0	6.2	3.9	13.5
<b>Peers average</b>	<b>3,415</b>		<b>1.1</b>	<b>9.6</b>	<b>6.9</b>	<b>11.6</b>
<b>VNDS</b>	<b>1,100</b>	<b>11,000</b>	<b>1.0</b>	<b>10.0</b>	<b>5.4</b>	<b>10.1</b>

Applying justified P/E of 10.0x and justified P/B of 1.1x, we value VNDS's share price at VND11,327 and VND14,096, respectively.

<b>P/E valuation</b>	
EPS 2015	1,183
Justified P/E	10.0
Target price	<b>11,327</b>

<b>P/B valuation</b>	
BVPS 2015	12,815
Justified P/B	1.1
Target price	<b>14,096</b>

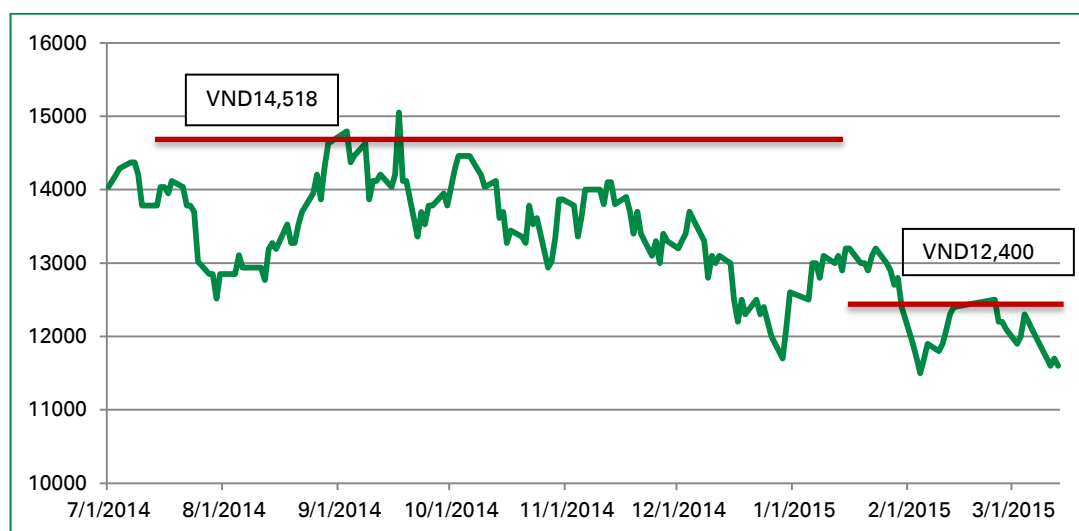
## Recent performance

In our last update on VNDS with a BUY recommendation published on July 28, 2014, we indicated a target price of VND17,500 for VNDS stock. Since then we have made the following adjustments:

Changed recommendation due to price appreciation: We revised our recommendation from BUY to HOLD on August 26, 2014 when VNDS's share price was VND16,500, approaching our target price.

Adjusted target price to reflect new share issuance: The adjusted target price after VNDS issued additional 50 million shares at price of VND10,000 per share and five million bonus shares is VND14,518.

VNDS reached our target price on August 29, 2014 and traded around this price level until November. Due to the negative impacts of Circular 36 and the steep decline of oil and gas prices on the stock market, VNDS share prices fell in December, and later due to the "not as good" earnings release compared to its peers, VNDS share prices dropped again in late January. As of March 23, 2015, VNDS share price was VND11,000, closed to its 52 weeks low of VND10,469.



## TECHNICAL ANALYSIS

The technical chart showed a downward trend of VND after it peaked at 14,600 in November 2014.

It is now trading below its short-term and mid-term moving averages, such as the MA10 and MA50. Therefore, it is currently in the bear market.

However, the current price is very near the support level at 10,400, formed by the previous trough as well as the long-term moving average. Thus, we expect VND will continue going downward in short-term but not very deep.

Thus, a HOLD strategy would be applied at the time of updating report.

Ticker	VND
Horizon analytic	3 to 6 months
3 months highest price	13,700
3 months lowest price	10,400
Current MA50 days	12,500
Current MA100 days	12,700
Mid-term resistance level	12,700
Mid-term support level	10,400
<b>Recommendation</b>	<b>HOLD</b>



**APPENDIX**

<b>BALANCE SHEET (VND bn)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Cash & Equivalents	974	1,115	1,682	1,453	1,563	1,918	2,138	2,596
Receivables	265	384	758	1,114	1,446	1,879	2,441	3,171
Short term investment	335	361	398	400	420	432	562	730
Other current asset	2	10	9	11	13	14	15	17
<b>Total current asset</b>	<b>1,577</b>	<b>1,870</b>	<b>2,848</b>	<b>2,978</b>	<b>3,442</b>	<b>4,242</b>	<b>5,156</b>	<b>6,514</b>
Fixed asset	49	60	78	92	110	131	156	186
Long term investment	0	2	2	100	180	288	374	487
Other non current asset	9	12	14	17	20	25	29	35
<b>Total long term asset</b>	<b>58</b>	<b>75</b>	<b>94</b>	<b>209</b>	<b>310</b>	<b>443</b>	<b>560</b>	<b>708</b>
<b>TOTAL ASSET</b>	<b>1,635</b>	<b>1,944</b>	<b>2,942</b>	<b>3,187</b>	<b>3,752</b>	<b>4,686</b>	<b>5,715</b>	<b>7,222</b>
Current liabilities	532	747	1,106	1,200	1,530	1,887	2,334	2,892
Non current liabilities	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>532</b>	<b>747</b>	<b>1,106</b>	<b>1,200</b>	<b>1,530</b>	<b>1,887</b>	<b>2,334</b>	<b>2,892</b>
Equity capital	1,095	1,064	1,614	1,614	1,614	1,714	1,714	1,914
Financial reserves	19	31	31	31	31	31	31	31
Retained earnings	(10)	101	159	342	577	1,053	1,636	2,384
<b>Total shareholders equity</b>	<b>1,103</b>	<b>1,197</b>	<b>1,835</b>	<b>1,988</b>	<b>2,223</b>	<b>2,799</b>	<b>3,382</b>	<b>4,330</b>
<b>LIABILITIES &amp; EQUITY</b>	<b>1,635</b>	<b>1,944</b>	<b>2,942</b>	<b>3,187</b>	<b>3,752</b>	<b>4,686</b>	<b>5,715</b>	<b>7,222</b>

<b>INCOME STATEMENT (VND bn)</b>	<b>2012</b>	<b>2013</b>	<b>2014E</b>	<b>2015F</b>	<b>2016F</b>	<b>2017F</b>	<b>2018F</b>	<b>2019F</b>
Brokerage	62	83	186	162	228	317	440	583
<i>% of total</i>	<i>26%</i>	<i>31%</i>	<i>43%</i>	<i>33%</i>	<i>37%</i>	<i>40%</i>	<i>41%</i>	<i>42%</i>
Proprietary trading	32	62	53	67	75	91	138	194
<i>% of total</i>	<i>13%</i>	<i>24%</i>	<i>12%</i>	<i>14%</i>	<i>12%</i>	<i>11%</i>	<i>13%</i>	<i>14%</i>
Interest income	101	64	72	87	80	94	101	133
<i>% of total</i>	<i>42%</i>	<i>24%</i>	<i>17%</i>	<i>18%</i>	<i>13%</i>	<i>12%</i>	<i>10%</i>	<i>9%</i>
Margin lending	44	52	115	166	216	281	366	475
<i>% of total</i>	<i>18%</i>	<i>20%</i>	<i>26%</i>	<i>34%</i>	<i>35%</i>	<i>35%</i>	<i>35%</i>	<i>34%</i>
Advisory	1	1	7	8	9	9	10	11
<i>% of total</i>	<i>0%</i>	<i>0%</i>	<i>2%</i>	<i>2%</i>	<i>1%</i>	<i>1%</i>	<i>1%</i>	<i>1%</i>
Other services	1	2	3	3	3	4	4	5
<i>% of total</i>	<i>0%</i>	<i>1%</i>	<i>1%</i>	<i>1%</i>	<i>1%</i>	<i>0%</i>	<i>0%</i>	<i>0%</i>
<b>Total revenues</b>	<b>241</b>	<b>263</b>	<b>435</b>	<b>494</b>	<b>611</b>	<b>797</b>	<b>1,060</b>	<b>1,401</b>
<i>y-o-y growth</i>								
Cost of services	(97)	(47)	(117)	(118)	(148)	(195)	(264)	(349)
G&A Expenses	(66)	(83)	(128)	(143)	(171)	(215)	(276)	(350)
<b>Operating profit</b>	<b>78</b>	<b>132</b>	<b>190</b>	<b>233</b>	<b>292</b>	<b>387</b>	<b>520</b>	<b>702</b>
Net non-operating income	1	1	2	2	2	2	2	2
<b>Profit before tax</b>	<b>79</b>	<b>133</b>	<b>192</b>	<b>235</b>	<b>294</b>	<b>389</b>	<b>522</b>	<b>704</b>
Income tax	-	9	35	52	59	78	104	141
<b>Net Income</b>	<b>79</b>	<b>124</b>	<b>157</b>	<b>183</b>	<b>235</b>	<b>311</b>	<b>418</b>	<b>563</b>
<i>y-o-y growth</i>		<i>58%</i>	<i>26%</i>	<i>17%</i>	<i>28%</i>	<i>32%</i>	<i>34%</i>	<i>35%</i>
<b>EPS (VND)</b>	<b>786</b>	<b>1,248</b>	<b>1,623</b>	<b>1,183</b>	<b>1,516</b>	<b>1,945</b>	<b>2,533</b>	<b>3,219</b>

## VNDIRECT SECURITIES CORPORATION (HNX – VND)

Ratio Analysis	2012	2013	2014F	2015F	2016F	2017F	2018F	2019F
<b><u>Profitability</u></b>								
Operating Margin	32.4%	50.2%	43.6%	47.2%	47.7%	48.5%	49.1%	50.1%
Net Profit Margin	32.6%	47.4%	36.1%	37.1%	38.5%	39.0%	39.4%	40.2%
ROA	4.8%	6.4%	5.3%	5.8%	6.3%	6.6%	7.3%	7.8%
ROE	7.1%	10.4%	8.7%	9.2%	10.6%	11.1%	12.4%	13.0%
EPS growth		59%	30%	-27%	28%	28%	30%	27%
<b><u>Leverage</u></b>								
Liabilities/Asset	32.5%	38.4%	38.0%	37.7%	40.8%	40.3%	40.8%	40.1%
Financial debt/Asset	3.4%	0.0%	2.3%	1.8%	1.6%	1.4%	1.2%	1.1%
<b><u>Liquidity</u></b>								
Asset Turnover	0.15	0.14	0.15	0.15	0.16	0.17	0.19	0.19
Current Ratio	2.97	2.50	2.57	2.48	2.25	2.25	2.21	2.25



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