

Securities Sector

New capital raised in 2024 will bolster growth in margin lending and investments and capacity to manage downside risks

Over the first 5 months of 2024, a third of the 30 largest securities firms announced plans to raise a total of around VND38 trillion in new equity capital over the next 12 months.

We view the planned capital raising to be significant and will boost the firms' total equity by around 20%. With the additional capital, firms will be able to pursue growth in their core margin lending and investment businesses in 2024. Stronger profits from these businesses will help firms to strengthen loss absorption buffers against potential downside risks.

The majority of the proposed capital raises are from large local firms (e.g., HCM, SSI, VCI, VND) as well as firms that are affiliated with banks (e.g., ACBS, MBS, ORS, SHS). These firms have targeted 2024 profits to exceed the prior year by an average of 30%, primarily driven by the expansion of their core lending and investment activity alongside improving operating conditions.

Low-interest rates and improving investor sentiment in corporate bond and stock market will encourage investor trading activity. Over the first five months of 2024, the stock market's average daily trading value increased by 36% from 2023 level to VND 24 trillion. The sector's return on average total assets (ROAA) increased from 4.3% in 2023 to 5.3% as of Q1/2024, driven by the growth of core businesses - investment and margin lending income. Meanwhile, the regulator's plan to enhance the market exchange infrastructure and remove pre-funding requirements for foreign investors will help to attract new investors over time.

Among the 10 firms seeking new capital for business growth, 4 securities firms had since completed their capital raising, namely ACBS, DNSE, HCM and KAFI.

ACBS, a wholly-owned subsidiary of Asia Commercial Joint Stock Bank (ACB), has grown into a key contributor to ACB's business growth. DNSE intends to deploy its new capital to enhance its IT infrastructure and develop fintech capabilities, for example, robo-advisor application to serve customers.

We note that VCI previously announced its intention to expand its retail business; while for HCM and MBS, the additional capital will allow them to continue business expansion while keeping their margin loan balances below the regulatory limit of 200% total equity. For other firms with sizeable investments in corporate bonds and/or equity like ORS, SHS, VIX and VND, additional capital will enhance their loss absorption buffers.

On the contrary, we note that the capital injections for foreign-owned firms have slowed over the past 2 years. In fact, the business growth for these firms has lagged their local peers. For example, margin loan balances of the foreign-owned firms grew by 18% per annum over the last two years, much lower than 35% for the local firms. Coupled with smaller investment portfolios relative to peers, the average ROAA for foreign-owned firms of 3.7% over 2020-2023 was much lower than 6% for the local firms.

CONTACTS

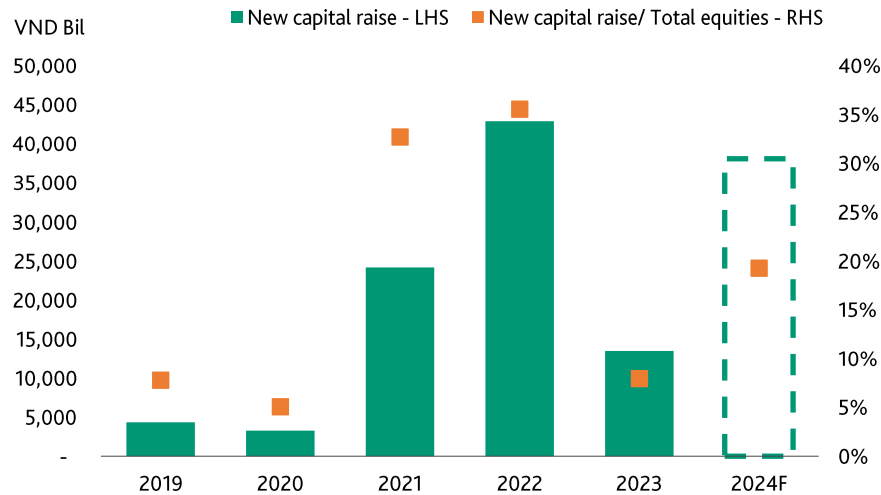
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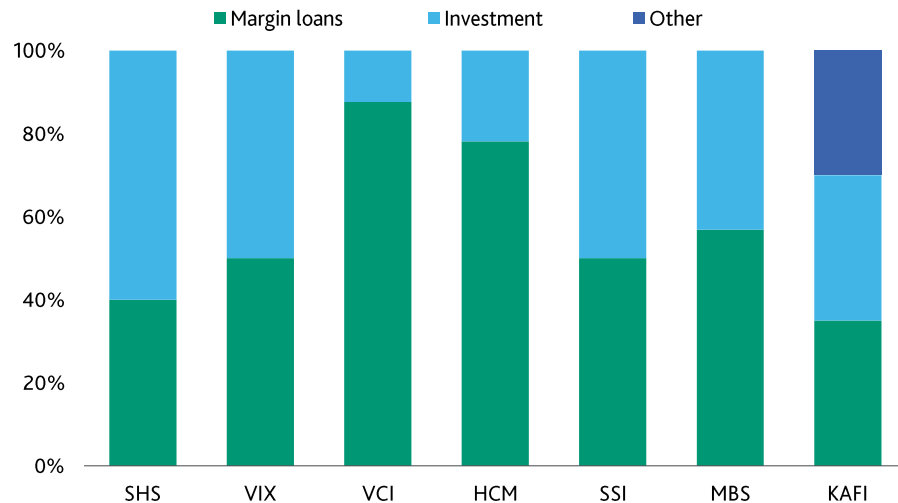


Exhibit 1: Higher capital raising plan in 2024 amid improving operating conditions



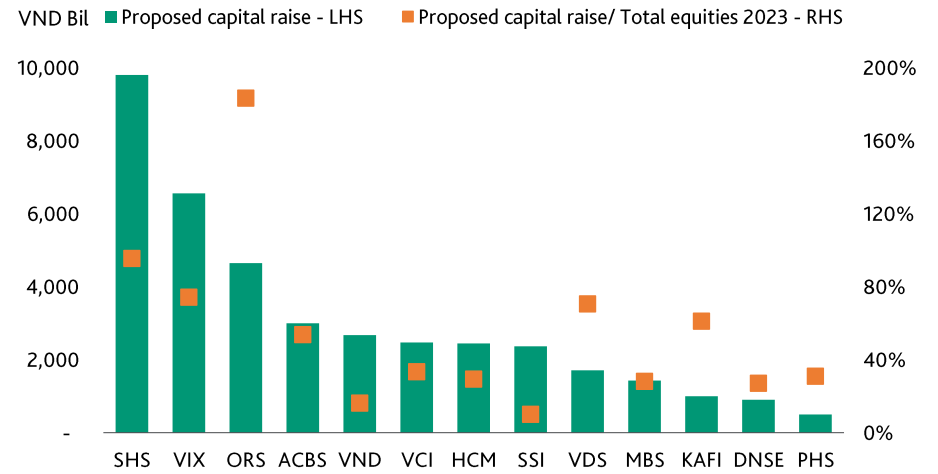
Source: Company data, Vietnam Investors Service
 Note: Data includes published capital-raising plans among the top 30 securities firms as of May 2024

Exhibit 3: Use of capital proceeds to support core margin lending and investment businesses



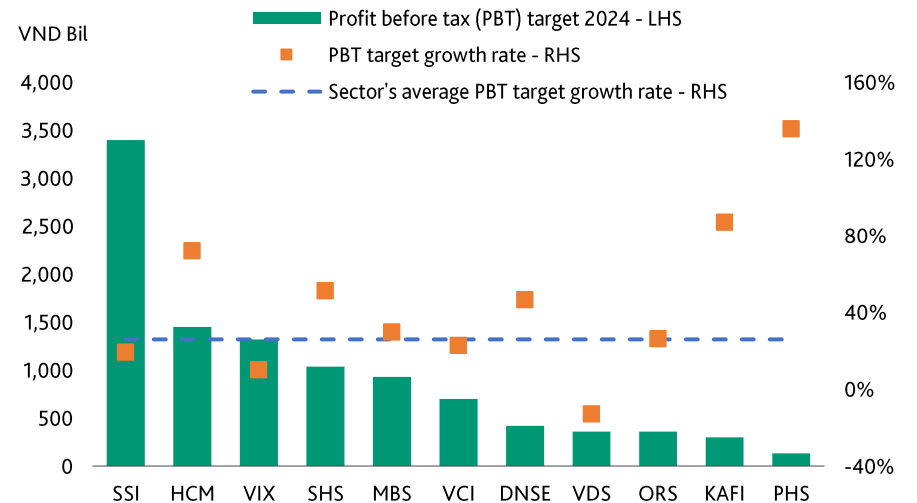
Source: Company data, Vietnam Investors Service
 Note: Refer to the Appendix for the full name of securities firms
 Other use of proceeds includes investments in fixed assets and other assets

Exhibit 2: Proposed capital raises mostly come from large local firms as well as affiliated to banks



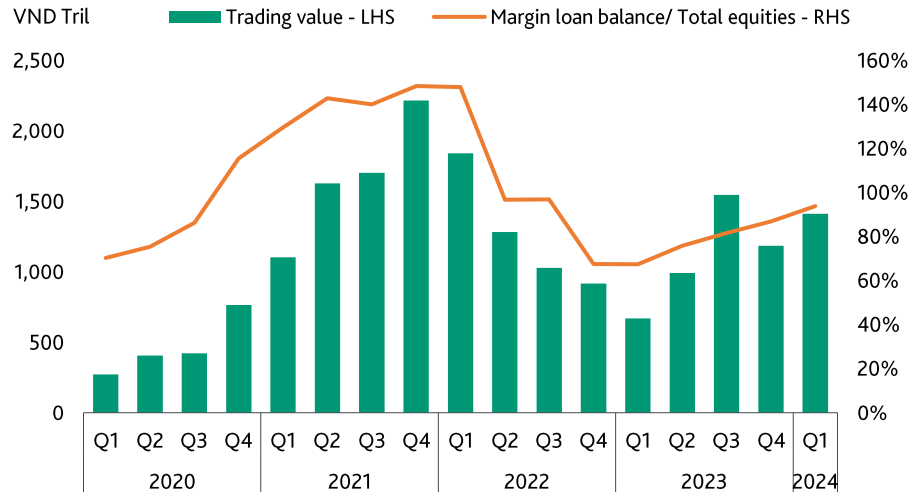
Source: Company data, Vietnam Investors Service
 Note: Refer to the Appendix for the full name of securities firms

Exhibit 4: Firms with sizeable capital raising set higher-than-sector-average target for profit growth



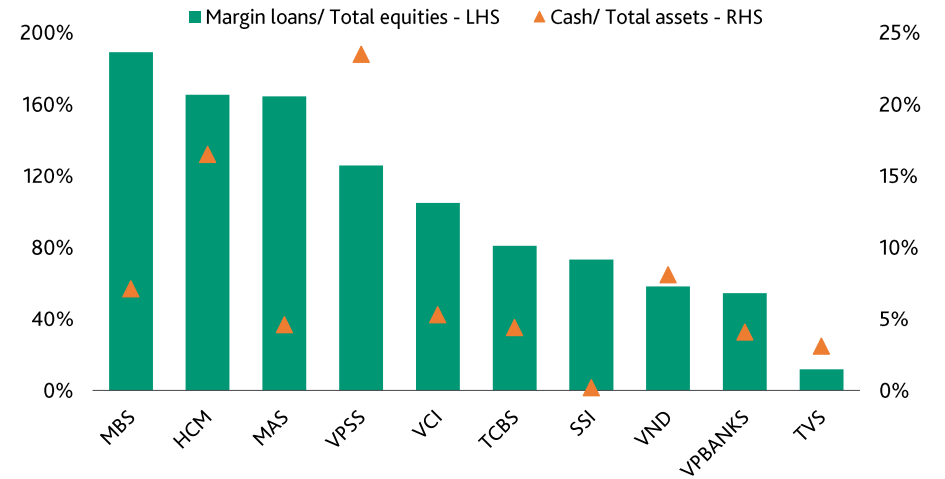
Source: Company data, Vietnam Investors Service
 Note: Refer to the Appendix for the full name of securities firms

Exhibit 5: Low-interest rate and improving investor sentiment will encourage investor trading activities



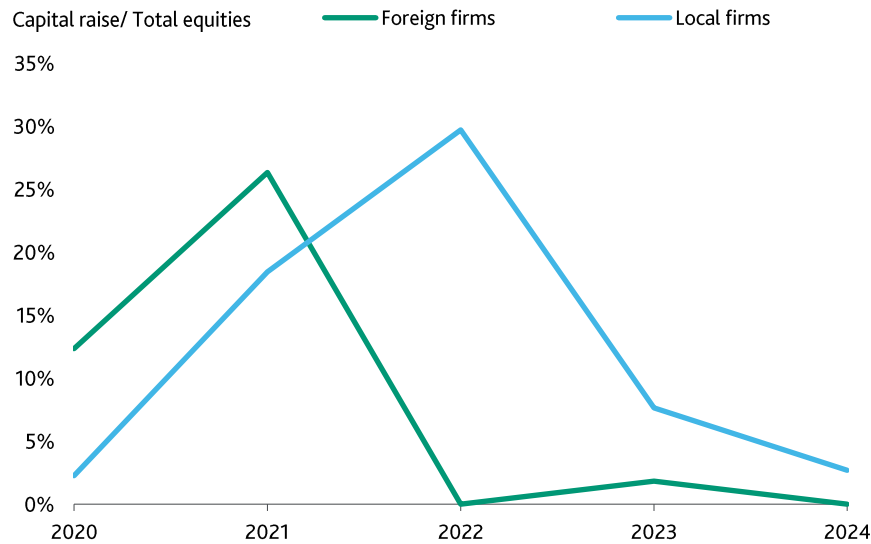
Source: HSX, HNX, Company data, Vietnam Investors Service
 Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets

Exhibit 6: Additional capital will allow HCM and MBS to expand while keeping margin loan balances below the regulatory limit of 200% total equity



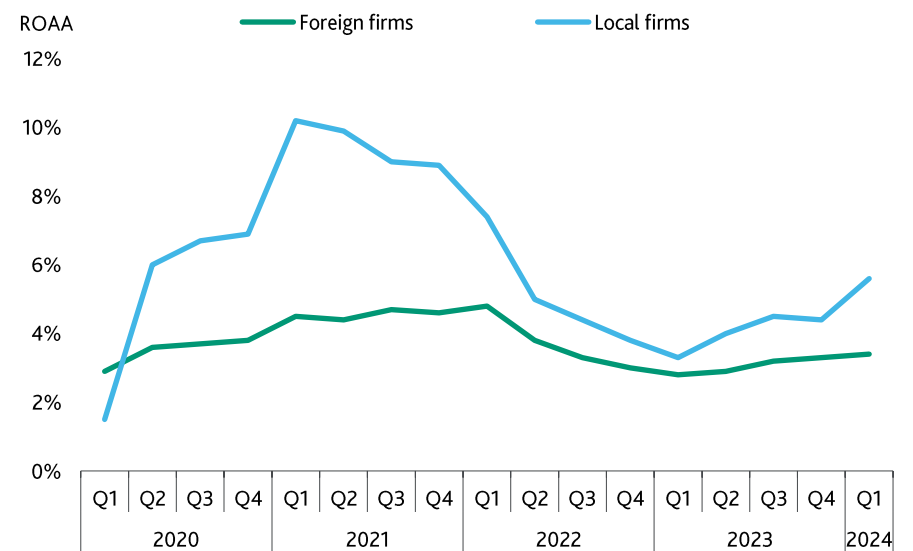
Source: Company data, Vietnam Investors Service
 Note: Refer to the Appendix for the full name of securities firms

Exhibit 7: A slowdown in capital injection will stagnate the foreign firms' business growth



Source: Company data, Vietnam Investors Service
 Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets

Exhibit 8: Foreign firms maintained a lower-than-local-peer ROAA



Source: Company data, Vietnam Investors Service
 Note: Data includes top 30 securities firms by assets, covering around 90% of total sector assets

APPENDIX

List of top 30 securities firms by total assets

The firms included in our analysis are as follows (in order of total assets at end-2023):

	Short name	Full name	Classification
1	SSI	SSI Securities Corporation	Large firm
2	TCBS	Techcom Securities Joint Stock Company	Large firm
3	VND	VNDirect Securities Corporation	Large firm
4	VPBANKS	VPBank Securities Joint Stock Company	Large firm
5	VPSS	VPS Securities Joint Stock Company	Large firm
6	MAS	Mirae Asset Securities Joint Stock Company	Large firm
7	HCM	Ho Chi Minh City Securities Corporation	Large firm
8	VCI	Vietcap Securities Joint Stock Company	Large firm
9	MBS	MB Securities Joint Stock Company	Large firm
10	TVS	Thien Viet Securities Joint Stock Company	Large firm
11	KBSV	KB Securities Vietnam Joint Stock Company	Mid-sized firm
12	ACBS	ACB Securities Ltd., Co	Mid-sized firm
13	VCBS	Vietcombank Securities Company, Ltd.	Mid-sized firm
14	SHS	Saigon – Hanoi Securities Joint Stock Company	Mid-sized firm
15	KIS	KIS Vietnam Securities Corporation	Mid-sized firm
16	VIX	VIX Securities Joint Stock Company	Mid-sized firm
17	CTS	Vietnam Bank For Industry & Trade Securities Joint Stock Company	Mid-sized firm
18	BSI	BIDV Securities Joint Stock Company	Mid-sized firm
19	FTS	FPT Securities Joint Stock Company	Mid-sized firm
20	DNSE	DNSE Securities Joint Stock Company	Mid-sized firm
21	ORS	Tien Phong Securities Corporation	Small firm
22	SSV	Shinhan Securities Vietnam Co., Ltd.	Small firm
23	KAFI	KAFI Securities Joint Stock Company	Small firm
24	BVS	Baoviet Securities Company	Small firm
25	VDS	Viet Dragon Securities Corporation	Small firm
26	MBKE	Maybank Securities Limited	Small firm
27	YSVN	Yuanta Securities Vietnam Limited Company	Small firm
28	DSC	DSC Securities Corporation	Small firm
29	PHS	Phu Hung Securities Corporation	Small firm
30	TVSI	Tan Viet Securities Joint Stock Company	Small firm

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