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# Vietcombank (VCB)

## Seeks approval for 25% in fresh Tier 1 capital

### Expecting 10% increase in 2020E pretax earnings & big 25% boost to Tier 1 capital base

— Management expects 2020E pretax earnings to increase by 10% YoY to VND25,435 billion and annual credit growth to slow to 10% YoY from 2019's 16%. The bank also announced plans to issue 6.5% in new shares that should increase charter capital to VND39,499 billion from VND37,088. That said, the new shares will be issued at market prices and should allow VCB to utilize its high trading multiple to boost Tier 1 capital by an additional 25% from year-end 2019. Other key metrics for 2020E included: 1) total assets growth of 9% YoY; 2) funding growth of 10% YoY; 3) maintaining the capital adequacy ratio over 9% (vs 9.24% at year-end 2019); and 4) ROE at about 22%. Guidance assumes successful completion of the capital raising and management will seek shareholder approval for its business plan and new share offering on June 26.

### VCB's high multiple translates into significant 25% boost to Tier 1 capital base

— The bank plans to issue up to 6.5% in fresh capital or 241.1 million new shares via a private placement in 2020 or 2021. The new shares will be offered to a maximum of 99 institutional investors at a price no lower than the arithmetic average of closing prices for the previous ten trading days prior to the placement and at a valuation conducted by authorized third-party valuation firms. With the new shares being issued at market prices – and VCB's high trading multiple at about a price-to-book ratio of about 3.6x – this offering could allow the bank to raise VND20,300 billion in fresh capital and increase its Tier 1 capital meaningfully by about 25% (with minimal dilution to existing shareholders). The bank will first complete an 18% stock dividend from 2018 retained earnings in 3Q or 4Q to increase shares outstanding by about 667.6 million shares prior to this offering.

### Mizuho to maintain 15% stake & no hints of any new strategic investors

— Based on the current share count, management expects the new share offering at 241.1 million shares (or 284.5 million shares after reflecting the bonus element from the stock dividend). Allocations are expected to be 36.2 million shares for Mizuho or 0.92% to allow the strategic investor to maintain its 15% stake post offering and about 205 million shares or 5.19% for new investors. No hints were given for any new strategic investors in the plan and no details were given on whether GIC will maintain its stake at 2.55%. Buyers will need to agree to a one-year lockup and should Mizuho decide to boost its stake to 20% via this placement then it will be entitled to nominate one candidate for the Board of Directors after receiving approval from the State Bank of Vietnam.

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## Investment ratings & definitions

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### Investment Ratings for Stocks

(based on expectations for absolute price gains over the next 6 months)

Buy:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

### Investment Ratings for Sectors

(based on expectations for absolute price gains over the next 6 months)

Positive:	Neutral:	Negative:
Outperform the market	Perform in line with the market	Underperform the market

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