

Economic Perspectives

Vietnam economy under Biden era

Ambitious plan with the infrastructure investment in core

According to Biden's Campaign, Biden would like to pursue an ambitious spending plan to recover the U.S. COVID-effected economy with the physical resource is the center of the plan. Biden expects to spend an additional amount of USD3.95tn relative to conventional outlays in his first term to push the total estimated government spending between 2021 and 2024 to USD24.10tn, rising 39.05% compared to Trump's presidency. With infrastructure and clean energy investments on the spotlight, the president-elect's plan desires to revitalize the domestic manufacturing and innovation for benefiting the American middle-class.

Impact to Vietnam economy

Biden's ambitious plan may boost long-term economic growth, followed by an expansion in trade activities. As an essential trading partner, we expect U.S. stimulus policy to benefit the Vietnam economy in the long-run. However, Vietnam also faces uncertainties when the president-elect heavily focuses on strengthening domestic production and potentially change trade policy toward China. The introduction of new carbon adjustment fee provision and trade abuser enforcement also challenges our exporters and producers in maintaining their competitiveness.

Vietnam stock market reaction

New one-year upward pattern. Vietnam stock markets tend the sideways or slight downtrend in the U.S. election year. However, the stock market outperforms in the U.S. President's First Year, rising between 11.8% and 58.34% in the last five times. Based on Biden's policies and past statistics, we expect this pattern to continue in 2021, implying a bullish market.

Table 1. KIS leading economic index

(USD bn, %, % QoQ, % YoY)

	1Q20	2Q20	3Q20	4Q20F	2019	2020F	2021F
GDP	3.82	0.36	2.62	5.03	7.02	2.50	5.94
Trade balance	1.73	0.57	7.41	5.06	10.42	7.94	1.77
CPI	4.87	3.17	3.81	3.09	5.23	3.09	2.41
Discount rate	3.50	3.00	3.00	3.00	4.00	3.00	3.00
VND/USD	23,264	23,206	23,188	23,252	23,231	23,255	23,246
US GDP	(4.80)	(34.20)	NA	7.90	2.3	(5.70)	3.90
China GDP	(6.80)	1.10	NA	6.00	6.10	1.80	8.00

Source: KIS

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I. Joe Biden political career

1. Joe Biden history

Born on November 20, 1942, in Scranton, Pennsylvania, US, Joe Biden's family moved to the Wilmington, Delaware area when he was 10. Biden received a Bachelor's Degree in History and Political Science from the University of Delaware in 1965 and a Law Degree from Syracuse University in New York in 1968.

He began his career as a lawyer at a law firm in Wilmington, Delaware after graduating from law school in 1968 and quickly turning to politics as a member of the Newcastle County Council. From 1973 to 2009, Biden served as the Delaware State Senator (7th senator) for 36 years. From 1987 to 1995, he served as the chairman of the Senate Judiciary Committee, and in the 2000s, he served as the chairman of the Senate foreign affairs committee three times.

He was appointed as President Obama's running mate and served as the 47th vice president from 2009 to 2016. This year, Biden once again decided to run for the U.S. presidency at 78 years old and eventually became the oldest president ever.

2. Biden's economic and other policy achievements

Nearly 50 years serving as a high-ranking senator in the U.S. Congress and the 47th U.S. Vice President under two-term Obama presidency, Joe Biden knows how to revitalize the wounded economy during and after a crisis. This time, he again faced an even worse situation as the largest economy has been in the worst crisis since the Great Depression 1929, and the prior experience would be a key for his work, and also for the economy.

Besides, looking back to the long career history of the new president, the president is also one of the spearheads in the Affordable Care Act (also called Obama Care) and several legacies in the climate change issue.

Economy. In 2009, as Vice President, Biden helped to rebuild the US economy by overseeing implementation of the American Recovery and Reinvestment Act (Recovery Act) and the biggest fiscal stimulus package at that period, taking them out of the Great Recession. He also passed several key pieces of legislation, including the 2010 Tax Relief Act, the Budget Control Act to deal with the debt ceiling crisis and the American Taxpayer Relief Act 2012.

Climate change. Biden introduced the first climate change bills in the Senate in 1986 and called for American participation in UN climate negotiations in 2005. In 2007, he proposed curbing greenhouse gas emissions. In addition, through the Recovery Act in 2009, Biden oversaw the largest single investment in clean energy in history, providing more than USD90bn in strategic clean energy investments, development of low-carbon technologies. He had many

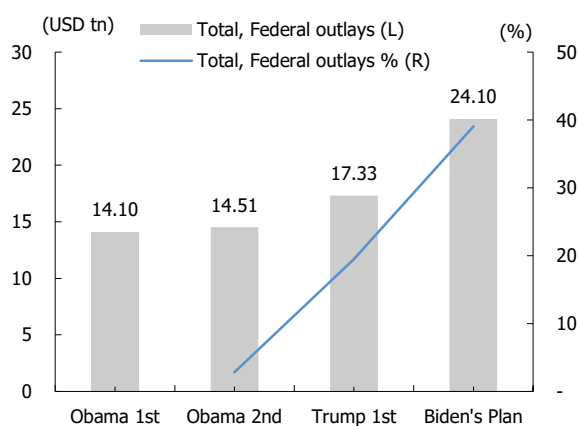
experience in establish a pragmatic plan to cut carbon emissions and secure a sustainable future.

Healthcare. He has highlighted his role in the passage of the Affordable Care Act (Obama Care), guaranteeing health coverage with pre-existing conditions. He also helped to launch a “Cancer Moonshot” initiative in 2016 to improve the prevention, diagnosis and cancer treatment.

II. The Biden’s Budget Plan

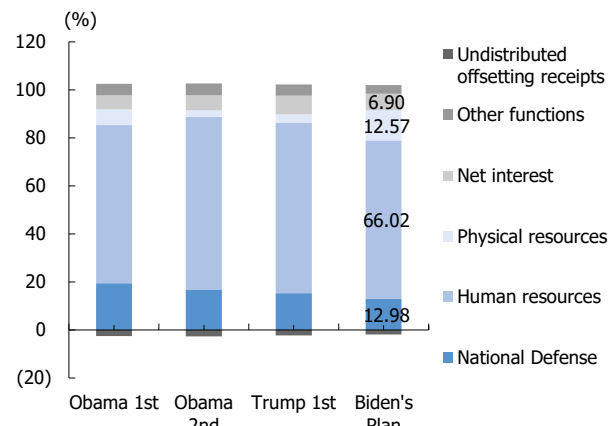
According to [Biden's Campaign](#), Biden would like to pursue an ambitious spending plan to recover the U.S. COVID-effected economy with the physical resource is the center of the plan. Biden expects to spend an additional amount of USD3.95tn relative to conventional outlays in his first term to push the total estimated government spending between 2021 and 2024 to USD24.10tn, rising 39.05% compared to Trump's presidency. The physical resource is the plan's spotlight. Biden plans to invest around USD2.34tn in this super-function, consisting of 60% his expected amount and resulting in its share soar to 12.57%, roughly tripling the previous term. Consequently, outlay portions of remainders such as human resources, national defense, and net interest will decline to 66.02% and 12.98%, and 6.90%, respectively. The vital role of infrastructure in long-term economic growth encourages Biden to rebuild and restructure the transportation system. Furthermore, in the pandemic context, fiscal stimulus plays an essential role in spurring domestic demand.

Figure 1. US outlays over presidencies



Source: [Biden's Campaign](#), [White House Budget](#), KIS

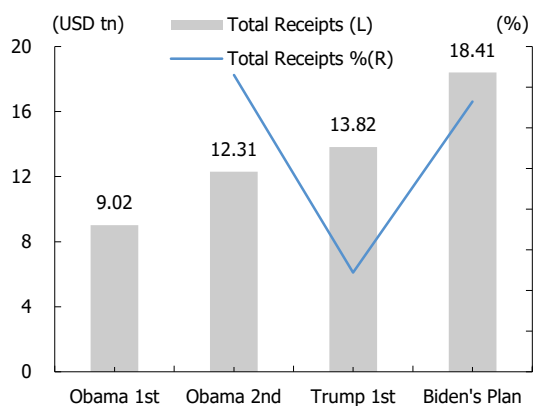
Figure 2. US outlays structure over presidencies



Source: [Biden's Campaign](#), [White House Budget](#), KIS

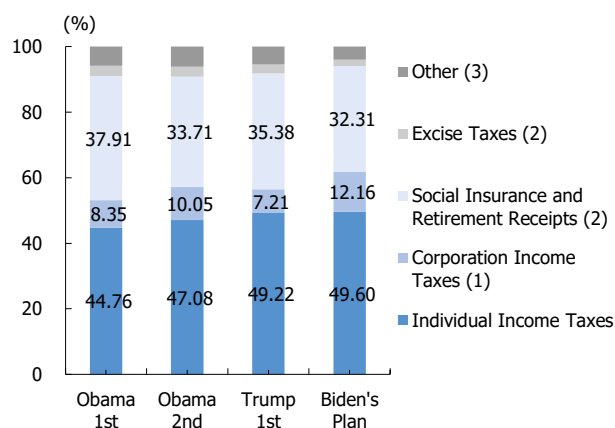
The rise in taxes, especially individual income and corporation income taxes, will partly finance for Biden’s spending plan. Taxes on individual income and corporation income are proposed to increase by USD619.80bn and USD822.00bn over the first term to post USD9.13tn and USD2.24tn, respectively. This plan will increase portions of individual income and corporation income in the U.S. receipts structure to 49.60% and 12.16% and consequently drag the contribution of social insurance and retirement receipts (SIRR) down to 32.31%.

Figure 3. US receipts over presidencies



Source: [Biden's Campaign](#), [White House Budget](#), KIS

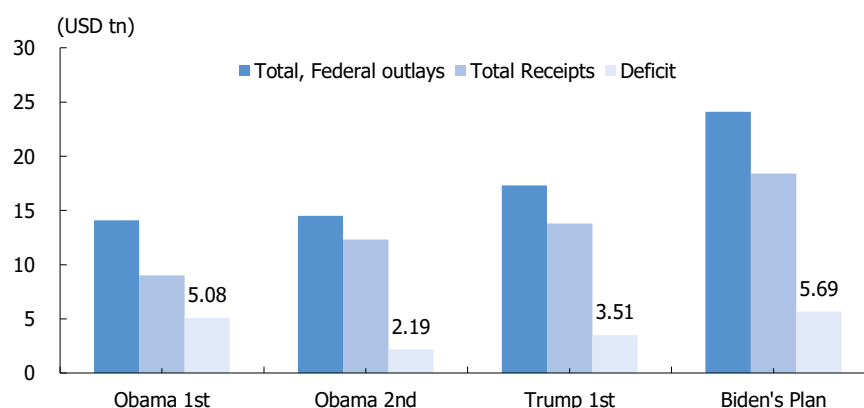
Figure 4. US receipts structure over presidencies



Source: [Biden's Campaign](#), [White House Budget](#), KIS

Budget deficit will rise to USD5.69tn, the high of recent three presidencies during Biden's first term as a result of desired infrastructure spending.

Figure 5. US deficit over presidencies



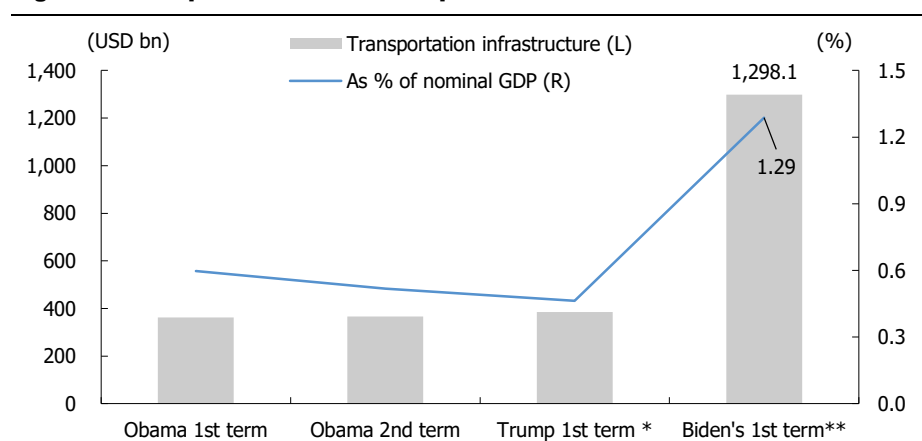
Source: [Biden's Campaign](#), [White House Budget](#), KIS

III. Pillars of Biden's Plan

1. Transportation infrastructure investment

One of the key pledges of Joe Biden's presidential journey is about to completely transform the U.S. transportation system, which has long been under critics of Americans. And also on this road, Americans are the ones to get almost benefits from it. Purchasing made-in U.S. material goods, hiring U.S. workers, upgrading U.S. infrastructure, and eventually pushing the U.S. economy and improving U.S. competitiveness in the global economy, this is an extremely promising plan.

Figure 6. Transportation investment plan under Joe Biden's first term



Source: [Biden's Campaign](#), [White House Budget](#), KIS

*: 2020's expenditure is estimated by U.S. Congressional Budget Office

** : 2021-2024's expenditure is estimated by U.S. Congressional Budget Office plus additional expenditure from Joe Biden's plan

Over the first term, assumed if all the pledges completed 100%, nearly a trillion dollars would be spent on a wide range of projects in many key areas of the economy. Additionally, green projects also will be prioritized among other options with a plan of transforming the economy 100% carbon neutral.

Upgrading highways, roads, and bridges. From the estimation from Joe Biden campaign information, about 20% of the roads nationwide were considered as in poor conditions. Therefore, about USD50bn investment in the first year will be spent on repairing and rebuilding new roads, highways, and bridges. Besides, additional funding will be for upgrading the decaying transportation facilities in underserved areas across the country.

Building national railroad system. In between key cities from North to South, from New York, Washington D.C., Chicago, to California, etc., Joe Biden promises to spend a sustained amount on constructing and completing high-speed and electric railway transport system.

Constructing transportation system in underdeveloped areas. President Joe Biden also aims to provide the American people high-quality public transit options by the end of 2030. In order to achieve this goal, he will increase federal funding to municipalities to either construct new light railways or improve

existing transportation facilities. Besides, billions of USD will be funded in supporting transit projects in high-poverty areas across the nation.

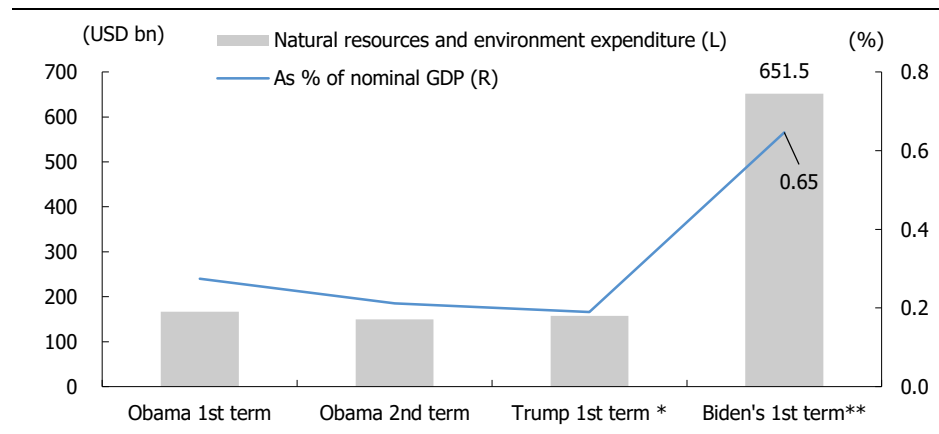
Improving aviation system. Airports are also in the list needed for further improvement, according to Biden’s plan. In order to make “the world’s safest aviation system”, Joe Biden plans to double funding for investment into airports through the Federal Aviation Administration’s Airport Improvement Program (FAA).

Investing the national freight system. Joe Biden will also put greater efforts to fix the current obsolete freight system from waterways, freight corridors, freight rails to ports, and delivery facilities. Key competitive grant programs will receive greater funding to develop innovative transportation and logistics models, which are a strong groundwork for the future development of the whole freight system.

2. Natural resources and clean energy investment

Furthermore, as one of the first and foremost advocates about the climate change issue, Joe Biden pays great attention to turn the U.S. economy into the green energy one. To make this dream become reality, nearly a half-trillion dollars is on the table to fund several key projects. It would be a key driver for long-term sustainable economic growth.

Figure 7. Transportation investment plan under Joe Biden’s first term



Source: [Biden's Campaign](#), [White House Budget](#), KIS

*: 2020's expenditure is estimated by U.S. Congressional Budget Office

** : 2021-2024's expenditure is estimated by U.S. Congressional Budget Office plus additional expenditure from Joe Biden's plan

Accelerating change to electric vehicles. Joe Biden makes a very comprehensive plan to completely transmit the traditional gasoline vehicles to the electrified vehicles for the whole Americans. The electric-vehicle tax credit will be the most essential tool for that plan to materialize. Besides, equivalent efforts, in cooperation with the private sector, would be made in expanding the national electric charging system so that it would encourage people to shift to electric vehicles. Also, electric-vehicle manufacturers will expectedly receive great incentive policies to further boost production and reduce production cost.

Along the way, clean-energy research and innovation funding will receive hundreds of billions of dollars for developing federal research programs on the clear energy issue like reducing the cost of producing biofuels and developing energy-efficient vehicle engines for trucks, cars, ships, and planes, etc.

Developing low-carbon manufacturing sector. Under the first term of Joe Biden, he plans to quadruple funding to the Manufacturing Extension Partnership program, which is to connect small manufacturers to technical expertise, aiming at improving productivity and energy efficiency. Furthermore, tax credit and subsidies awards will be used to help manufacturers to invest into low-carbon technologies. Besides, related manufacturing industries, such as electric-vehicle battery and solar energy producers, will also receive large support from federal funding programs in order to help the change in the entire manufacturing sector.

Upgrading aging water infrastructure system. Joe Biden plans to provide adequate federal funding to local governments to fix and upgrade the obsolete water infrastructure, especially in suburban and rural areas, so that all Americans can have clean water for use.

3. Other important physical resource investment plans

Expanding broadband access. Firstly, about USD20bn will be planned to invest in broadband infrastructure in rural areas. Moreover, he will massively increase federal funding on expanding broadband access in those low-income, older, and rural areas.

Transformational Projects Program. Joe Biden's proposal of USD40bn funding will be for the 10-year Transformation Projects Fund, which is to give funding for very large and complex infrastructure projects. Transportation, water, and energy projects will be eligible for seeking support from this fund.

Supporting small businesses and entrepreneurs. Under Joe Biden's administration, the State Small Business Credit Initiative program will be revised and expanded up to USD3bn to support lending to small businesses. Besides, an additional USD5bn will be provided in funding to small startups in small cities.

Buying American-made goods and hiring American workers. In the development process of the entire national transportation system, American workers will be prepared well to take advantage of federal well-paid jobs through several new apprenticeships training programs. Furthermore, in the collaboration with the expansion of the Buy American Act, American-made eco-friendly materials will be prioritized to be purchased with tremendous tax credit benefits

4. “Made in America”

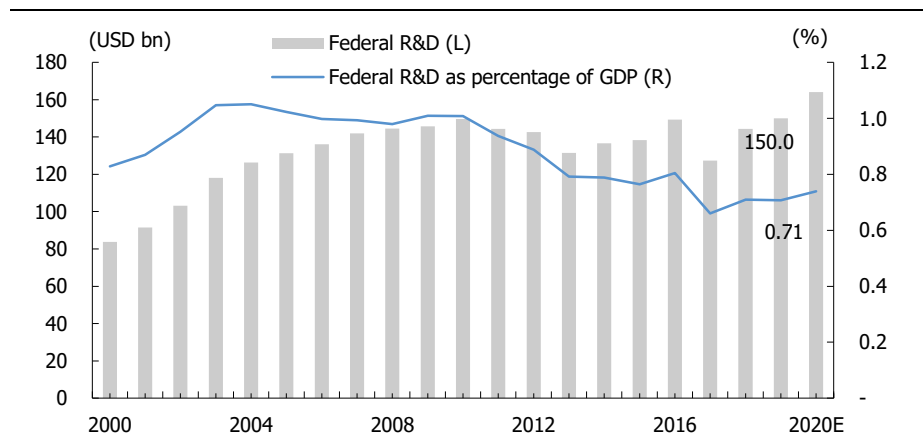
The “Made in America” plan aims to bolster U.S. manufacturing and innovation by arranging the federal resources properly and investing in high-value technology to

benefit domestic workers and small businesses. The Buy America and the Innovate in America are most prominent in six lines of Biden's "Made in America" plan.

Buy America will add USD400bn over four years to conventional federal procurement spending associated with enhancing legislation to ensure domestic workers and small businesses will be beneficiaries. This plan provides commitments to purchases products from a wide range of industries such as (1) clean vehicles and products, (2) steel, concrete, cement, building materials, equipment, (3) critical medical supplies and pharmaceuticals, (4) cutting-edge telecommunications and artificial intelligence. With the basic idea that taxpayer dollars should benefit American workers, Biden requires companies receiving federal procurement contracts commit to pay at least USD15 per hour and other practices to protect employee's benefits.

Innovate in America proposed investing USD300bn over four years in high-value technologies such as advanced materials, health and medicine, biotechnology, clean energy, autos, aerospace, artificial intelligence, telecommunications to create more millions of current jobs and boost U.S. employees' competitiveness in the future labor market.

Figure 8. U.S federal R&D spending

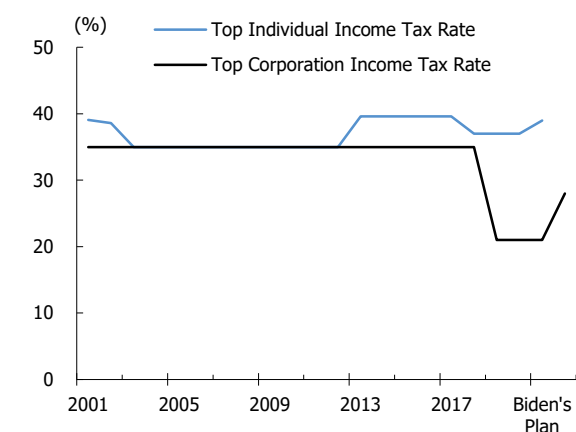


Source: [American Association for the Advancement of Science](#), KIS

5. Taxes

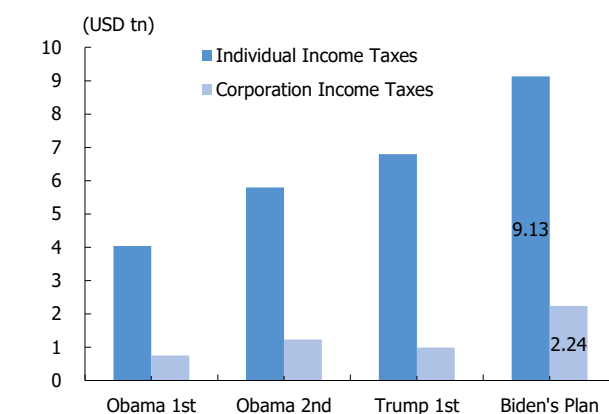
To pursue the ambitious plan for spurring the U.S economy, Biden would increase taxes focusing on top wealthy Americans and big corporations. Opposite to Trump's recent policies, Biden tends to conduct tax hikes to ensure the federal budget's financial condition for following his spending purposes. In detail, the top individual income tax rate for taxable incomes USD400,00 will return to 39.6 % from the current level at 37%. Regarding taxes on business income, Biden will push corporate tax back to 28%, rebounding half a way of Trump's tax cut in his presidency.

Figure 9. U.S federal R&D spending



Source: [Tax Foundation](#), KIS

Figure 10. US individual and corporation income taxes



Source: [White House Budget](#), KIS

Biden's tax hike will negatively impact the economy's size due to lower corporate investment and reducing jobs. According to the Tax Foundation General Equilibrium Model, Biden's tax hike plan will decrease the GDP by 1.62%, shrink the capital stock by 3.75%, reduce the overall wage rate by 1.15%, and lower full-time equivalent jobs by 542,000 in the long run.

Table 2. Economic Effect of Biden's Tax Plan

	Annual change
Gross Domestic Product (GDP)	-1.62%
Capital stock	-3.75%
Wage rate	-1.15%
Full-time Equivalent Jobs	-542,000

Source: [Tax Foundation](#), KIS

6. Trade

There are some implicit policies related to trade activities that Biden mentioned in his campaign. In the Buy American plan, the president-elect desires to invest more in federal procurement and enforce legislation against unfair trade. This strategy will strengthen the domestic competitiveness relative to external suppliers from China and other countries with similar product lines. Also, Biden will incorporate with allies to modernize international trade rules and associated domestic regulations regarding federal procurement to ensure that the U.S. and allies can use their taxpayer dollars to spur investment in their own countries.

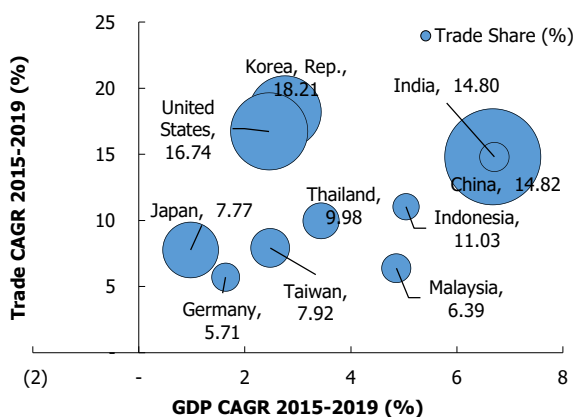
Second, in the Innovate in America plan, Biden establish a "claw back" provision to force federal-funded companies reimburse funds if they move their operations oversea. Also, Biden plans to double the business tax rate on Global Intangible Low Tax Income (GILTI) earned by overseas subsidiaries of U.S. firms from 10.5% to 21%. This policy hinders U.S. companies from moving their production to China for exploring the advantages of low labor and material costs.

Generally, The US-China trade tension will become less intense, and the interests of the parties involved will tend to reverse. Countries in Southeast Asia, including Vietnam, are supposed to benefit from the U.S. tariff hikes on Chinese goods under the Trump administration. Although Biden's policies do not imply a complete elimination of tariffs on Chinese goods, they are more likely to enhance cooperation with traditional allies and apply technical barriers for resolving unfair trade.

IV. Impact to Vietnam Economy

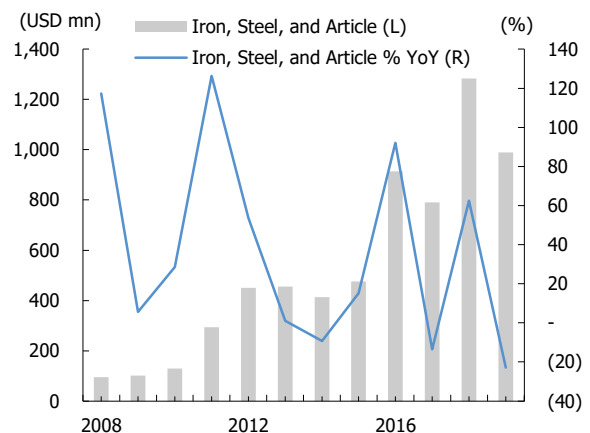
Pros. Biden's ambitious plan may boost long-term economic growth, followed by an expansion in trade activities. As an essential trading partner, we expect U.S. stimulus to benefit the Vietnam economy in the long-run. Besides, to modernize the crumbling transportation system, Biden proposes concentrating on infrastructure investment as a vital source for long-term U.S. economic growth. This promising strategy will surge the demand for construction metals such as steel, iron, aluminum, and copper and consequently favor domestic and external suppliers, including Vietnam.

Figure 11. GDP growth and trade to Vietnam



Source: GSO, IMF, KIS

Figure 12. Vietnam iron & steel export to US

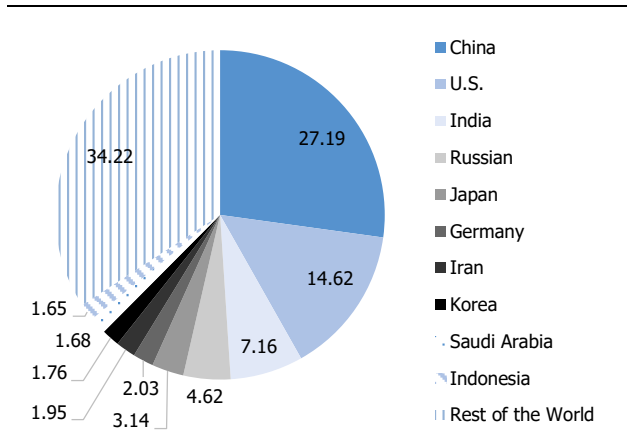


Source: [Trade Map](#), KIS

Cons. As an essential policy in Biden's plan for revitalizing domestic manufacturing, the "Made in America" will provide more investment in federal procurement to enhance domestic producers' competitiveness relative to China and other countries with similar product lines. This action probably shifts up domestic firms' share and position and hinders exporters from approaching and making a profit from the U.S. Also, trade abuser enforcement exposure external suppliers to the risk of labeling currency manipulation. Vietnam also was on the U.S. watch list due to a high bilateral trade surplus. On 4th November 2020, U.S. Secretary of Commerce Wilbur Ross announced the affirmative preliminary determination in the countervailing duty of passenger vehicle and light truck tires from Vietnam partly due to the undervalued currency.

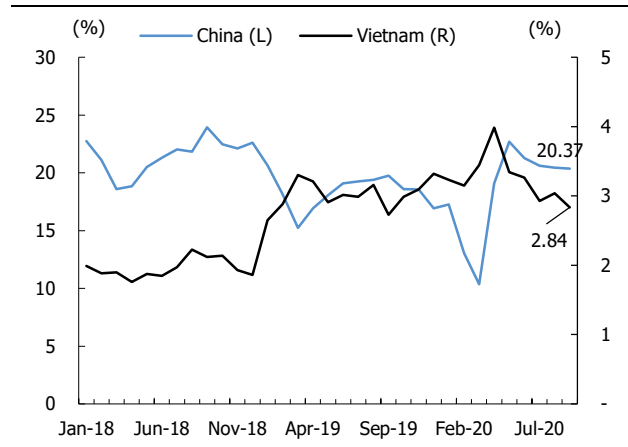
Furthermore, as a part of the Green New Deal, the president-elect commits to fully integrate climate change into the U.S.'s foreign policy, as well as its approach to trade. As the U.S. takes steps to make domestic polluters bear the full cost of their carbon pollution, the Biden administration will impose carbon adjustment fees or quotas on carbon-intensive goods from countries that are failing to meet their climate and environmental obligations. Biden will also introduce new conditions related to climate change commitments into future trade agreements. This policy may change Vietnam's export value and structure to the U.S in the future.

Figure 13. CO2 emission share by country in 2018 (%)



Source: [Union of Concerned Scientists](#), KIS

Figure 14. Vietnam and China import to U.S. share



Source: GSO, KIS

Vietnam export to the U.S will be affected by Biden's approach to the trade tension with China. Described as the winner of the U.S.- China trade war, the shift in approach and attitude of the Biden administration will reverse the competitiveness of Vietnam goods relative to China and discourages manufacturing shift into Vietnam.

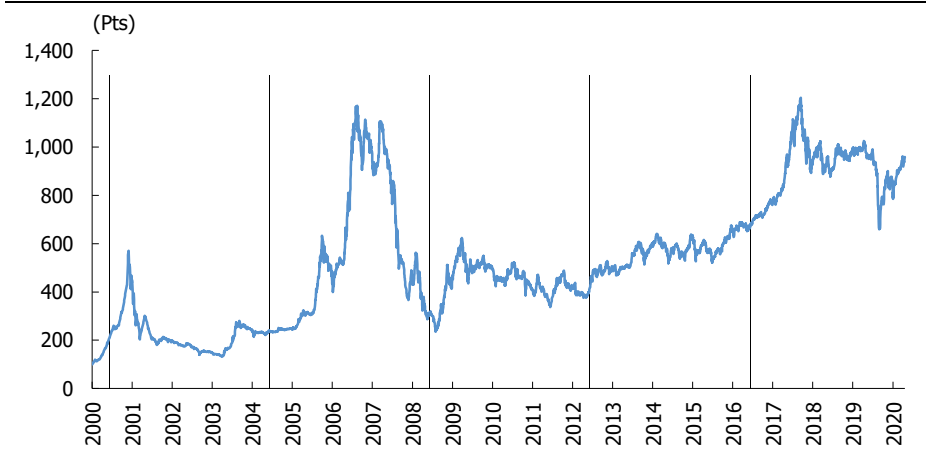
The double tax rate on GILTI likely reduces the U.S. company's tendency to offshore their production overseas. It discourages the U.S.'s capital flows into countries with cheap labor, including Vietnam.

V. Stock Market Reaction

1. New one-year upward pattern?

Vietnam's stock market was officially traded in December 2000, so we can only observe the market dynamics in the five times of the presidential election. According to our statistics, based on five times the previous election, the Vietnam stock market tends the sideways or slight downtrend in the U.S. election year, except in 2008, the market fell sharply due to the global financial crisis. The reason is that the market sentiment has become cautious to wait for the election results and new policies after that.

Figure 15. Movement of VNIndex range 2000-2020



Source: Fiinpro, KIS

After the election year, whether the Democratic or Republican candidate wins, Vietnam's stock market shows a one-year upward pattern. From 2000, VNIndex has risen in the first year of the U.S. presidency (Figure 1, black vertical lines represent the beginning of the first year of the presidency). Notably, in 2017, the index jumped 47.8% after President Donald Trump won. At that time, President Donald Trump introduced a series of tough policies to exporting countries to reduce the U.S trade deficits and protect domestic production especially the US-China trade war. These policies make international companies move their operations from China to other countries such as Vietnam.

Table 3. Performance of VNIndex range 2000-2020

(%, pts, shares, VND bn)

Year	Change	Close	Total volume	Total value	Market Cap
2020	0.63	966.29	66,974.15	1.17	3.49
2019	6.33	960.99	45,158.62	0.99	3.29
2018	(9.48)	892.54	49,737.86	1.35	2.88
2017	47.80	984.24	47,890.89	1.04	2.62
2016	14.82	664.87	32,329.62	0.60	1.49
2015	6.27	579.03	28,148.33	0.48	1.14
2014	7.92	545.63	30,468.30	0.53	0.99
2013	21.45	504.63	16,165.84	0.26	0.84

2012	17.75	413.73	14,057.34	0.22	0.68
2011	(27.62)	351.55	8,342.92	0.16	0.46
2010	(3.39)	484.70	11,792.65	0.38	0.59
2009	58.34	494.80	10,960.07	0.42	0.50
2008	(65.90)	315.62	2,835.17	0.12	-
2007	23.43	927.02	1,815.71	0.20	-
2006	144.99	751.77	569.34	0.03	-
2005	28.99	307.50	100.08	0.00	-
2004	42.70	239.29	57.23	0.00	-
2003	(8.98)	166.94	-	-	-
2002	(20.88)	183.33	-	-	-
2001	11.80	235.40	-	-	-
2000	106.83	206.83	-	-	-

Note: Data as of 13 Nov 2020

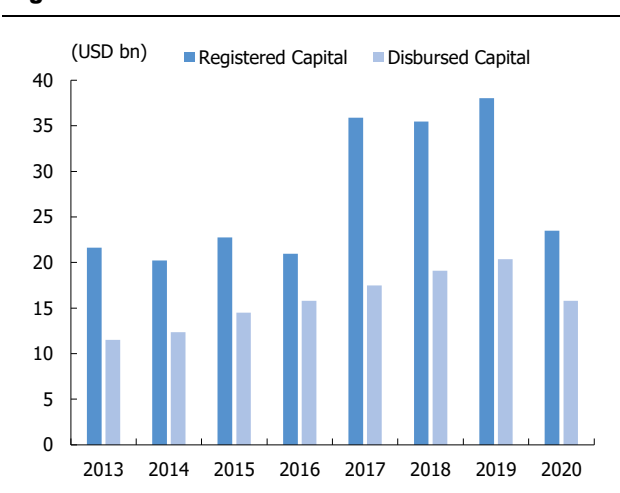
Source: Fiinpro, KIS

When Biden is president, the supply chain shifts from China to Vietnam will maintain in the medium term as the Democratic Party support the protection-trade-centered policy. Therefore, the Vietnam stock market's outperformance in the U.S. President's First Year promises to continue in 2021.

2. Foreigners' money maintains to flow into Vietnam

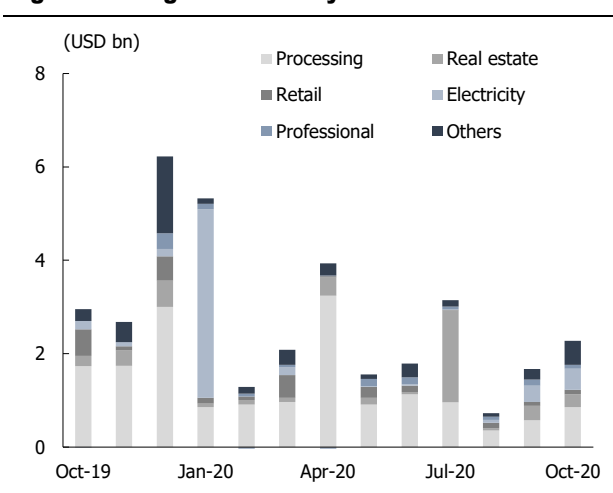
The supply chain shifts push FDI into Vietnam. The Democrat's stance is to continue to support the US-China trade war. With Biden's victory, the relationship will not improve significantly, so its effects may be difficult to reverse. Shifts in China's Industrial Supply Chain push will cause FDI to flow into other countries. Thus, Vietnam will continue to benefit from shifts. We expect that supporting industries and real estate industrial zones will benefit.

Figure 16. Disbursed FDI



Source: MPI, KIS

Figure 17. Registered FDI by sector

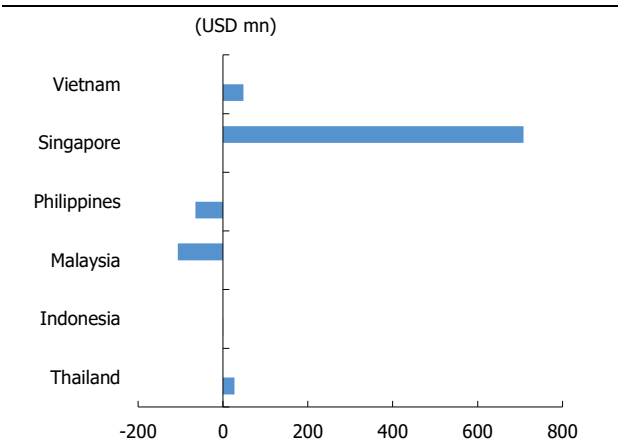


Source: MPI, KIS

Vietnam can attract international financial investment flows. With Biden, the Fed will continue to implement monetary easing policy, such as keeping interest rates low. In addition, Biden's tax plans also put great pressure on the U.S. financial markets. As a result, financial capital flows from the U.S. may seek other markets (for example, Vietnam) with higher returns to investors.

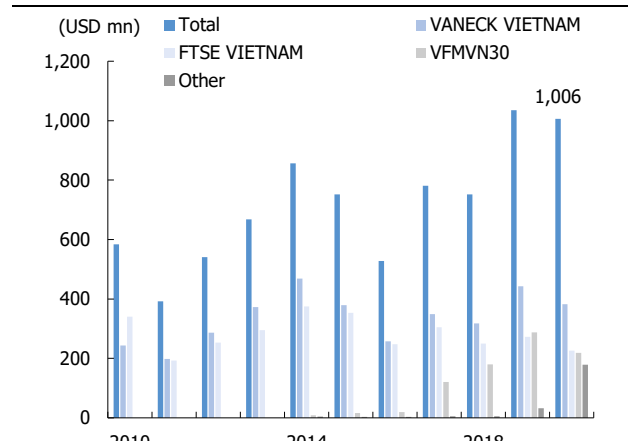
Vietnam is still a potential market when attracting capital flows from ETFs. Money inflow across Vietnam was recorded at USD48mn YTD, ranking second in SEA, whilst Malaysia, and the Philippines recorded a negative flow of money. Thus, Vietnam could become an option for U.S. investors.

Figure 18. ETF net flow by country



Note: Data as of 30 Oct 2020
Source: Bloomberg, KIS

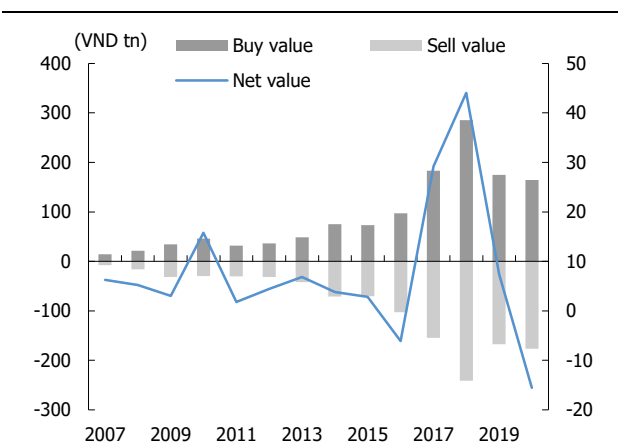
Figure 19. AUM of Vietnam's major ETFs



Note: Data as of 30 Oct 2020
Source: Bloomberg, KIS

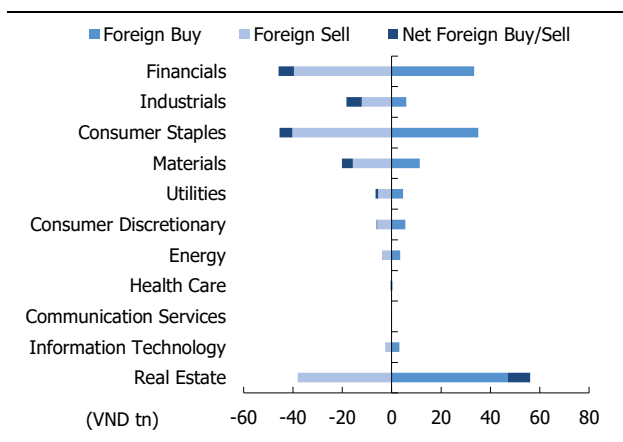
Foreign investors may reverse to be net buyers. Up to mid-November 2020, foreign selling activities have overwhelmed the market. Net sell value recorded at VND16tn whilst the market ended up being net bought from 2017 to 2019. To be specific, foreigner's selling activities have been increased by 6% compared to 2019 while buying activities have been recorded a drop of 6%. The uncertainty sentiment has triggered the surge in foreign selling activities among the Vietnam capital market due to the COVID-19 pandemic and the unclear result of the US presidential election 2020 as well as the generated policies. As a result, money has flown to the other instruments, so-called "safe haven", such as government bonds and gold.

Figure 20. Yearly net foreign buy/sell (2007-2020)



Source: Fiinpro, KIS

Figure 21. Net foreign buy/sell by sectors in 2020



Source: Fiinpro, KIS

Regarding to US presidential election 2020 result, despite the undefined official result, Joe Biden has outperformed Donald Trump, increasing the tendency to become the 46th United States president. To be specific, Joe Biden's main policies which are controlling the COVID-19 pandemic and raising the minimum wage will turn on the green light for the recovery of United States' economy.

Firstly, Joe Biden's approach to tackling coronavirus which is the most immediate and obvious challenge facing the United States by providing free testing for all residents. Notably, Pfizer and BioNTech have released the vaccine for COVID-19 which have the effective rate up to 90%. That positive news will bring the optimistic sentiment back to the market, both in USA and Vietnam.

Secondly, in order to address the immediate impact of the pandemic crisis, Joe Biden has vowed to extend loans to small businesses, increase direct money payment to families as well as raising the minimum wage with an aim to support young and blue collar workers. Those policies will contribute to the economic growth of United State which also bring the domino effect to Vietnam.

The aforementioned information will turn on the green light for the recovery of Vietnam capital market in the future. Thus, foreign activities are expected to be positive with the surge in buying activities and the drop in selling pressure thanks to the optimistic sentiment among the market.

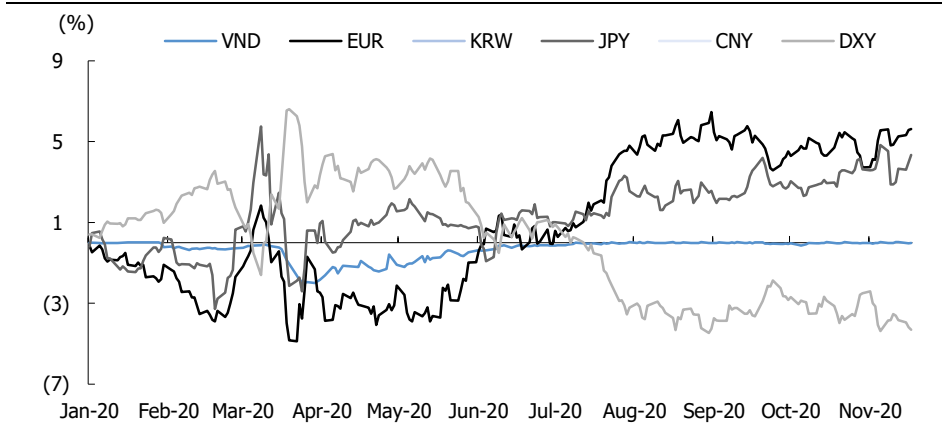
3. The U.S. dollar narrows under Biden

During the election process, Biden did not make any comments about the U.S. dollar value against other major currencies. However, the U.S. dollar is likely to experience weakness in the long term under the Biden presidency due to:

- America's national debt is likely to continue to swell. Biden intends to implement several policies such as (1) Investing in infrastructure (2) economic stimulus packages to deal with the impact of COVID-19... These are the policies that will increase government spending.
- The Fed's Expansionary monetary policy. To support the economy, the Fed is loosening monetary policy as keeping interest rates low, Q.E., and business support packages. These policies in the medium term can affect the value of the U.S. dollar.

Although Vietnam implements a pegging of the exchange rate in terms of USD, the long-term depreciation of the U.S. dollar may affect some stock groups in Vietnam due to (1) Affect enterprises that import materials of input for production. (2) Exporters (3) Firms' borrow in foreign currency.

Figure 22. Movements of VND, USD, CNY, KRW, JPY and EUR



Source: Bloomberg, KIS

VI. Sector impact

Sector	Rating	Investment Point	Top picks
Seafood	Positive	<ul style="list-style-type: none"> - Biden's better efforts to prevent pandemic's spread will support for the U.S. economy recovery. - Biden will not reverse immediately trade war on China and focus more on technique barriers. - The focus on technique barriers of imported goods is positive 	VHC
Aviation	Positive	<ul style="list-style-type: none"> - Aviation benefits from Biden's public health priority to combat virus. - Heavy infrastructure spending package strengthens airport capacity. 	SCS
Oil and Gas	Positive	<ul style="list-style-type: none"> - Short term compression for oil price is temporarily. - Clean energy indirectly pushes oil price up. - No more rock-down hit as no more price war. - Oil price rally brings happiness for upstream and midstream 	
Banking	Neutral	<ul style="list-style-type: none"> - Biden or Trump, the Fed will continue its ongoing works - Internal components dominate Vietnam banking. - Favorable regulation policy from SVB remains 	
Property	Neutral	<ul style="list-style-type: none"> - United States of America homebuyers are insignificant in Vietnamese housing market - Biden policy does not eye property sector. - Vietnamese housing market is affected by inherent influences. 	

Seafood

Positive

Company	Rating	TP (VND)
VHC	BUY	50,000

Biden win to buoy recovery post-2020

Investment thesis

In our view, Biden win will have positive impact on Vietnam seafood export, thanks to following key points:

- **Biden's better efforts to prevent pandemic's spread will support for the U.S. economy recovery.** Of which, we expect restaurant channel, the core consumption channel of Vietnam seafood, will see faster recovery after being hit severely by pandemic in 2020.
- **Biden win will not reverse immediately trade war's tax tariffs on China and focus more on technique barriers.** Despite expressing more peaceful behavior with China, we have our view that Biden win will not impact strongly on the existence of trade war. The bulk of the China tax tariffs of trade war, therefore, will remain in place at least in 2021 to continuously support for Vietnam seafood export to the U.S.
- **The focus on technique barriers of imported goods is positive.** Biden has shown his concern on tightening technique barriers for goods import, pointing to more advantages for Vietnam seafood exporters eligible for exporting to the U.S.
- **The U.S. reset on CPTPP will have small edge on Vietnam seafood export.** As Biden was in the White House when the U.S. was an active partner in CPTPP, we expect that Biden will make a re-shift of trade and foreign priorities as happening in pre-Trump phase. However, we are cautious that it takes a long time for the U.S. to take up membership. Therefore, a reset on CPTPP membership of the U.S. in 2021 is very challenging. In case the U.S. decides to participate in CPTPP, we do not see much impacts on Vietnam seafood export to the U.S. as the most difficult competitive barrier for Vietnam seafood exporters is anti-dumping tariff, not much related to CPTPP as depending on the fairness of exporter's export price versus other rivals.

Risk factors

- **The impact of pandemic is worse-than-expected.** Although Biden has shown his determination in control pandemic's spread, his method's effect can be under our expectation and refrain the seafood consumption recovery of restaurant channel.
- **Embedded risk may dominate.** Positive impacts of Biden win can be faded by structural risks of Vietnam seafood sector, including (1) unfavorable changes to the U.S. anti-dumping tariffs and (2) viral diseases lead to the drop of seafood production.

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Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company				Sales	OP	NP	EPS	BPS	PE	PB	ROE	EV/EBITDA	DY
				(VND bn)	(VND bn)	(VNDbn)	(VND)	(VND)	(X)	(X)	(%)	(X)	(%)
VHC	Recommendation	BUY	2017A	8,151	761	605	6,118	31,915	7.4	1.4	22.7	9.5	4.4
(HSX)	TP (VND)	50,000	2018A	9,271	1,685	1,442	15,489	43,452	2.9	1.0	41.5	4.7	8.8
	Price (VND)	45,250	2019A	7,867	1,132	1,179	6,371	27,008	7.1	1.7	26.5	5.7	-
	Mkt cap. (VND bn)	8,233	2020F	7,241	903	858	4,608	29,436	9.8	1.5	16.8	6.2	4.4
			2021F	8,036	1,194	1,161	6,268	33,709	7.2	1.3	20.2	4.3	4.4
ANV	Recommendation	Not rated	2017A	2,949	247	142	1,142	11,214	20.1	2.0	10.5	12.1	5.2
(HSX)	TP (VND)	NA	2018A	4,118	693	600	4,811	14,825	4.8	1.5	37.0	4.7	6.5
	Price (VND)	22,950	2019A	4,481	805	704	5,541	18,778	4.1	1.2	33.3	4.1	8.7
	Mkt cap. (VND bn)	2,897	2020F	3,361	216	171	1,343	18,621	17.1	1.2	7.2	10.0	6.5
			2021F	3,769	252	208	1,640	18,761	14.0	1.2	8.8	10.2	6.5
IDI	Recommendation	Hold	2017A	5,327	443	343	1,859	11,608	28.1	4.5	16.3	21.8	1.5
(HSX)	TP (VND)	6,060	2018A	6,341	771	644	3,465	12,836	14.8	4.0	27.2	14.3	3.1
	Price (VND)	5,700	2019A	7,733	454	325	1,548	12,096	3.9	0.5	11.2	7.6	-
	Mkt cap. (VND bn)	1,298	2020F	6,250	288	134	521	12,622	11.6	0.5	4.2	9.7	-
			2021F	6,756	405	245	1,003	13,625	6.0	0.4	7.6	7.2	-
MPC	Recommendation	Hold	2017A	15,665	930	714	9,254	35,492	2.1	0.6	30.2	5.3	-
(HSX)	TP (VND)	22,000	2018A	16,925	1,104	810	4,936	22,595	5.4	1.2	25.3	6.3	18.8
	Price (VND)	26,600	2019A	15,943	656	472	2,415	28,477	10.0	1.1	8.5	7.9	13.2
	Mkt cap. (VND bn)	5,319	2020F	13,300	692	643	2,752	27,794	9.7	1.0	10.0	6.3	13.2
			2021F	15,022	781	733	3,150	27,510	8.4	1.0	11.6	6.1	13.2
FMC	Recommendation	Hold	2017A	3,498	129	112	3,417	16,073	5.3	1.2	21.4	9.3	25.0
(HSX)	TP (VND)	30,000	2018A	3,807	217	180	4,554	17,138	5.8	1.5	28.6	6.6	7.5
	Price (VND)	33,200	2019A	3,710	238	230	5,468	19,141	6.1	1.7	23.2	3.2	7.5
	Mkt cap. (VND bn)	1,780	2020F	4,095	256	233	4,287	21,388	7.7	1.6	21.3	6.7	7.5
			2021F	4,341	274	254	4,684	24,303	7.1	1.4	20.5	5.9	7.5

Note: Data as of 16 Nov 2020

Source: KIS

Vinh Hoan Corporation (VHC)

BUY (Maintain), TP VND50,000

Stock price (19 Nov, VND)	45,250
Market cap (USD mn)	355
Shares outstanding (mn)	182
52W High/Low (VND)	46,000/19,590
6M avg. daily turnover (USD mn)	0.98
Free float (%)	50.2
Foreign ownership (%)	33.0
Major shareholders (%)	
Truong Thi Le Khanh	43.5
Mitsubishi Corp.	6.5

Yr to	Sales	OP	NP	EPS	% chg	EBITDA	PE	EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	8,151	761	605	6,118	3.3	960	7.4	9.6	1.4	22.7	4.4
2018A	9,271	1,685	1,442	15,489	153.2	1,842	2.9	4.8	1.0	41.5	8.8
2019A	7,867	1,132	1,179	6,371	(58.9)	1,298	7.1	5.8	1.7	26.5	-
2020F	7,241	903	858	4,608	(27.7)	1,108	9.8	6.3	1.5	16.8	4.4
2021F	8,036	1,194	1,161	6,268	36.0	1,429	7.2	4.4	1.3	20.2	4.4

Collagen & Gelatin to lead earning rebound post-2020

Biden win will strengthen Vinh Hoan's dominant position in the U.S. market. Stronger efforts on refraining pandemic's spread, low ability to reverse trade war's terms on tax tariffs in 2021 and the focus on technical barriers will accelerate Vinh Hoan's export recovery to the U.S. and strengthen position of pangasius leading player in this market.

Pangasius fillet export to recover post-2020. We expect pangasius fillet revenue to recover post-2020 thanks to export price improvement as pangasius material price has rebounded since 4Q20. We estimate Vinh Hoan will reach VND6,764bn pangasius related-fillet revenue in 2021 (+3.4% yoy).

Collagen & Gelatin revenue to surge on factory capacity expansion. We expect Collagen & Gelatin will continue its revenue blossom in 2021 thanks to new capacity commenced in 4Q20. We estimate Vinh Hoan's Collagen & Gelatin will reach VND1,272bn revenue (+83% yoy) and VND509bn gross profit (accounting for 33% of total gross profit) in 2021, becoming earning growth pillar of Vinh Hoan post-2020.

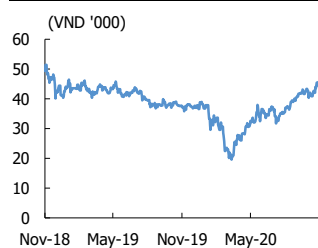
Risks. Higher-than-expected competitiveness in the U.S. market will narrow Vinh Hoan's market share and put pressure on gross margin of Vinh Hoan's pangasius fillet in the U.S. In 2020, Vietnam has witnessed more pangasius exporters with lower anti-dumping tariff compared to those of previous PORs.

Recommendation. We expect that the recovery of pangasius fillet export revenue and Collagen & Gelatin revenue surge, backed by more advantages pointed from Biden win, will bolster Vinh Hoan's earning growths post-2020. We estimate VHC target price to be VND50,000 by the end of 2021. Including VND2,000 cash dividend, total expected return is 16.1%. BUY.

Performance

	1M	6M	12M
Absolute (%)	6.0	38.9	20.7
Rel. to VNIndex (%p)	1.1	21.5	20.0

Stock price trend



Balance sheet

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Current assets	2,951	4,040	4,514	4,248	5,018
Cash & cash equivalents	418	651	1,578	1,395	1,917
Accounts & other receivables	1,331	2,003	1,522	1,506	1,650
Inventory	1,202	1,386	1,414	1,346	1,451
Non-current assets	1,791	2,045	1,841	1,879	1,865
Fixed assets	1,790	1,656	1,840	1,879	1,865
Investment assets	1	389	1	-	-
Others	300	213	257	120	120
Total assets	5,043	6,299	6,612	6,246	7,003
Advances from customers	66	11	20	14	16
Unearned revenue	-	-	-	-	-
Trade payables	233	274	282	269	290
Others	391	728	567	472	562
ST debt & due bonds	1,008	1,269	866	134	-
LT debt & bonds	402	-	-	-	-
Total liabilities	2,100	2,283	1,735	889	868
Controlling interest	2,943	4,015	4,875	5,356	6,133
Capital stock	924	924	1,834	1,834	1,834
Capital surplus	216	224	224	224	224
Other reserves	(3)	-	(114)	(114)	(114)
Retained earnings	1,805	2,867	2,932	3,412	4,190
Minority interest	0.1	-	2	2	2
Shareholders' equity	2,943	4,015	4,877	5,358	6,135

Income statement

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Sales	8,151	9,271	7,867	7,241	8,036
COGS	6,980	7,232	6,334	6,032	6,502
Gross profit	1,172	2,039	1,533	1,209	1,534
SG&A expenses	411	354	401	307	340
Operating profit	761	1,685	1,132	903	1,194
Financial income	58	137	251	95	107
Interest income	21	65	76	95	107
Financial expenses	89	167	90	37	2
Interest expenses	71	56	60	37	2
Other non-operating profit	12	(85)	147	-	-
Gains (Losses) in associates, subsidiaries and JV	-	79	14	-	-
Earnings before tax	723	1,688	1,309	961	1,299
Income taxes	118	245	130	102	138
Net profit	605	1,442	1,179	858	1,161
Net profit of controlling interest	605	1,442	1,179	858	1,161
EBITDA	960	1,842	1,298	1,108	1,429

Cash flow

(VND bn)

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
C/F from operations	444	680	1,489	1,116	1,241
Net profit	605	1,442	1,179	858	1,161
Dep'n & Amort'n	199	156	165	205	235
Net incr. in W/C	(360)	(918)	145	52	(155)
C/F from investing	(593)	(702)	(743)	(205)	(221)
Capex	(243)	(545)	(361)	(205)	(221)
Incr. in investment	(351)	(157)	(383)	-	-
C/F from financing	27	20	(703)	(1,096)	(498)
Incr. in equity	-	10	(114)	-	-
Incr. in debt	27	373	(403)	(732)	(134)
Dividends	(0)	(363)	(185)	(364)	(364)
C/F from others	207	235	884	-	-
Increase in cash	84	233	927	(184)	522

Key financial data

FY-ending Dec.	2017A	2018A	2019A	2020F	2021F
Per-share data (VND, adj.)					
EPS	6,118	15,489	6,371	4,608	6,268
BPS	31,915	43,452	27,008	29,436	33,709
DPS	2,000	4,000	-	2,000	2,000
Growth (%)					
Sales growth	11.6	13.7	(15.1)	(8.0)	11.0
OP growth	11.0	121	(32.8)	(20.3)	32.3
NP growth	6.9	139	(18.2)	(27.2)	35.2
EPS growth	3.3	153	(58.9)	(27.7)	36.0
EBITDA growth	15.3	92	(29.5)	(14.6)	29.0
Profitability (%)					
OP margin	9.3	18.2	14.4	12.5	14.9
NP margin	7.4	15.6	15.0	11.9	14.4
EBITDA margin	11.8	19.9	16.5	15.3	17.8
ROA	12.7	25.4	18.3	13.4	17.5
ROE	22.7	41.5	26.5	16.8	20.2
Dividend yield	4.5	8.9	-	4.5	4.5
Dividend payout ratio	32.7	25.8	-	43.4	31.9
Stability					
Net debt (VND bn)	992	618	(712)	(1,261)	(1,917)
Net debt/equity (%)	34	15	(15)	(24)	(31)
Valuation (x)					
PE	7.3	2.9	7.0	9.7	7.1
PB	1.4	1.0	1.7	1.5	1.3
EV/EBITDA	9.5	4.8	5.7	6.2	4.4

Aviation

Positive

Company	Rating	TP (VND)
SCS	Not rated	N/A

Plan the flight and fly the plan

Investment thesis

In our view, Biden win will have positive impact on Vietnam aviation, thanks to following key points:

- **Aviation benefits from Biden's public health priority to combat virus.** In order to help the USA aviation industry to recover, the outbreak has to get under control and then people feel safe enough to start traveling again. Since the priority of Biden's government is given to completely addressing COVID-19, the virus containment scenario is more visibility and then USA airlines can take off again despite some travel restrictions in the short term. Passengers from the USA are always among the top 5 of Vietnam aviation market, according to GSO numbers in 2019. The revival of USA aviation industry aids Vietnam aviation recovery.
- **Heavy infrastructure spending package strengthens airport capacity.** Biden appears to have a more sustainable consciousness amidst increased finance for airport development. His aim on expanding airport capacity to meet the fast-growing demand for goods transportation helps alleviate the aviation business prospect. Currently, Vietnam's flight carriers including Vietnam Airlines, Bamboo Airways have received permits from the US Department of Transportation to carry passengers and cargo in/out. Vietjet Air and UPS have entered a cargo partnership agreement to develop trade lanes from Asia to the US. We are positive on these efforts made by Biden's presidential candidate that we expect earning prospect positive grow.

Risk factors

- **Clean energy innovation put a burden on aviation.** It could cost much for aviation when Biden is committed to reducing greenhouse gas emission and building low-carbon aviation in order to achieve net-zero commission in 2050F. The additional cost for each passenger and each measurement of goods transportation could put a burden on fares and fees, reducing rosy outlook for aviation.
- **Failure on containing virus could happen.** If the public health response, including social distancing and lockdown measures, vaccine is initially successful but fails to prevent a resurgence in the virus, the recovery pace for air & travel industry may slide into recession.

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Conclusion

- We rate the Biden presidency positive to Vietnam aviation sector since they are focusing on public health as the first goal. However, we are cautiously optimistic on the Vietnam aviation prospect as it is much sensitive to the local influences. The Ministry of Health may put more isolation procedures for international entry and hesitate to open the sky broadly.
- We are keeping a close watch on ACV (Aviation Company of Vietnam), HVN (Vietnam National Airlines), VJC (Vietjet Airlines) as they are among the great beneficiaries from Biden's administration.

Saigon Cargo Services (SCS)

Not rated

Stock price (17 Nov, VND)	121,400
Market cap (USD mn)	266
Shares outstanding (mn)	51
52W High/Low (VND)	140,875/83,471
6M avg. daily turnover (USD mn)	0.14
Free float (%)	98.3
Foreign ownership (%)	28.4
Major shareholders (%)	
Gemadep Corporation	32.6
ACV	13.1

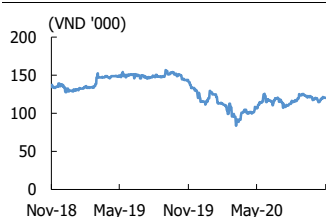
Yr to	Sales	OP	NP	EPS	2% chg	EBITDA	PE EV/EBITDA	PB	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(%)	(%)
2016A	496	289	245	4,869	81.3	343	4.9	3.5	1.6	35.2
2017A	588	387	344	6,839	40.5	443	3.4	2.4	1.4	44.7
2018A	675	461	437	8,679	26.9	516	2.7	2.2	1.4	52.8
2019A	748	527	502	9,971	14.9	582	2.3	1.7	1.2	57.5

Bright spotlight

Performance

	1M	6M	12M
Absolute (%)	1.9	13.4	(13.6)
Rel. to VNIndex (%p)	(2.4)	(3.1)	(13.6)

Stock price trend



Global air cargo recovers rapidly. According to IATA, air cargo volume increased slightly by 8% yoy in Sept despite the resurgence of COVID-19, implying speed of recovery is on track. We expect cargo demand is likely to maintain healthy momentum in the short-term as air mode of transportation are the more preferred.

European status tends to more optimistic. The sharp rise of Germany's PMI to 56 in Sept bodes well for SCS's clients including Samsung, LG, Intel in the integrated international cargo services which contributed 80-90% SCS's total volume. The European upbeat manufacturing position is signaling a recovery in international air cargo industry, helping SCS weather the storm sooner.

Higher utilization implies ample room for expansion. SCS has been operating beyond capacity by 10% from 2018-2019. We believe the launch of new terminal or capacity expansion will help SCS gain more market share. The company has planned to expand the capacity by 75% in FY21-23F, per management.

Healthy balance sheet with no gearing. Its net cash position stood at VND260bn, made up 23% total assets at end-3Q20. We think SCS's healthy financial position with no gearing lowers project execution risk and the huge cash vault generates a stable source of interest income.

9M20 business performance better-than-expected. Despite some swirling headwinds in logistic industry, SCS reported a VND495bn revenue, -9.7% yoy and a net profit of VND336bn, -9.8% yoy completing 75/87% the management's guidance.

Recommendation. We keen on SCS's medium-term earnings growth potential, given its planned capacity expansion and advanced technology which allow the company fully meet clients' needs. SCS is the sole player that is capable of expanding capacity and the risk of new entrants is minimal. We place Saigon Cargo Services on our watch list of big beneficiaries of Biden's administration. Risk to our call is the illiquidity due to major ownership and regulation risks that may change negatively.

Balance sheet

(VND bn)

FY-ending Dec.	2016A	2017A	2018A	2019A
Current assets	165	235	157	317
Cash & cash equivalents	102	171	77	246
Accounts & other receivables	63	64	79	71
Inventory	0	0	0	0
Non-current assets	732	686	637	591
Fixed assets	732	686	637	591
Investment assets	0	0	0	0
Others	70	69	178	165
Total assets	967	990	971	1,073
Advances from customers	0	0	0	1
Unearned revenue	20	14	7	0
Trade payables	9	3	5	4
Others	49	48	73	65
ST debt & due bonds	18	7	0	0
LT debt & bonds	103	3	0	0
Total liabilities	198	75	86	69
Controlling interest	769	914	885	1,004
Capital stock	534	572	572	576
Capital surplus	12	21	21	35
Other reserves	5	2	9	9
Retained earnings	219	320	284	385
Minority interest	0	0	0	0
Shareholders' equity	769	914	885	1,004

Income statement

(VND bn)

FY-ending Dec.	2016A	2017A	2018A	2019A
Sales	496	588	675	748
COGS	137	135	147	153
Gross profit	359	453	528	595
SG&A expenses	70	66	67	68
Operating profit	289	387	461	527
Financial income	2	5	8	14
Interest income	0	0	0	0
Financial expenses	13	5	0	1
Interest expenses	13	4	0	1
Other non-operating profit	(1)	1	6	12
Gains (Losses) in associates, subsidiaries and JV	0	0	0	0
Earnings before tax	275	384	467	538
Income taxes	30	40	30	35
Net profit	245	344	437	502
Net profit of controlling interest	245	344	437	502
EBITDA	343	443	516	582

Cash flow

(VND bn)

FY-ending Dec.	2016A	2017A	2018A	2019A
C/F from operations	300	388	497	549
Net profit	245	344	437	502
Dep'n & Amort'n	54	56	55	55
Net incr. in W/C	0	(13)	5	(8)
C/F from investing	(12)	(10)	(59)	(119)
Capex	(12)	(10)	(6)	(10)
Incr. in investment	0	0	(53)	(109)
C/F from financing	(31)	(72)	(35)	0
Incr. in equity	0	0	0	0
Incr. in debt	(20)	(72)	(10)	0
Dividends	(11)	0	(25)	0
C/F from others	(177)	(237)	(497)	(261)
Increase in cash	80	70	(94)	169

Key financial data

FY-ending Dec.	2016A	2017A	2018A	2019A
Per-share data (VND, adj.)				
EPS	4,869	6,839	8,679	9,971
BPS	13,846	16,727	16,143	18,512
DPS	0	5,111	10,024	7,443
Growth (%)				
Sales growth	45.4	18.6	14.8	10.8
OP growth	54.3	34.1	19.1	14.2
NP growth	81.3	40.5	26.9	14.9
EPS growth	81.3	40.5	36.9	14.9
EBITDA growth	42.2	29.2	16.4	12.8
Profitability (%)				
OP margin	58.2	65.8	68.3	70.4
NP margin	49.4	58.6	64.7	67.1
EBITDA margin	69.2	75.3	76.4	77.8
ROA	25.4	35.2	44.6	49.1
ROE	35.2	44.7	52.8	57.5
Dividend yield	0.7	0.0	1.7	1.8
Dividend payout ratio	3.6	0.0	4.7	4.1
Stability				
Net debt (VND bn)	(20)	(161)	(77)	(246)
Net debt/equity (%)	(3)	(18)	(9)	(25)
Valuation (x)				
PE	4.9	3.4	2.7	2.3
PB	1.6	1.4	1.4	1.2
EV/EBITDA	3.5	2.4	2.2	1.7

Oil and Gas

Positive

Promising prospect

Investment thesis

In our view, Biden win will have positive impact on Vietnam oil and gas, thanks to following key points:

- **Short term compression for oil price is temporary.** The priority of public health rather than economic restart following Biden's goal could compress the fuel consumption. Oil price may turn and slump in the short term. We think it temporary as the demand for oil could bounce driven by economic growth after the outbreak is contained.
- **Clean energy indirectly pushes oil price up.** Biden's strategy towards clean energy may cause cessation of new drilling on federal lands which could decrease crude-oil supply in the US and increase costs for shale oil. Consensus price at which OPEC and its allies, it is somewhere around USD50/bbl.
- **No more rock-down hit as no more price war.** Compared with predecessor Trump, Biden's government could lead a less aggressive policy such as supports global trade and reduce protectionism. That US – top 3 largest crude-oil suppliers will intercede in oil price war early. Oil price movement will not hit rock-down such as Russia – Arab oil price war in Mar 2020. Clean energy is a long-run strategy of the world, crude-oil is the still main energy source for production. Keep oil price stable and no fluctuate is main key for economic recovery.
- **Oil price rally brings happiness for upstream and midstream.** Drilling contractor PVD, transportation oil PVT and gas distributor GAS extend benefit cap when their services link to crude oil price directly. Number of active rig is growing again, that signaling for rig utilization rate growth. We believe that PVD is ready for new drilling contracts with a higher day rate. Charter rate of international route will be increase as PVT's benefit. GAS would benefit by higher product average selling prices.

Risk factors

- **Biden's policy fails to combat virus.** If the public health response, including social distancing and lockdown measures, vaccine is initially successful but fails to prevent a resurgence in the virus. Furthermore, through unexpected ways, vaccine may be delayed. Demand is expected to rise slowly as travel and production continue to be held back by health concerns and downward global economic activity.

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- **New oil price war comes in a serious scenario.** Biden's amiable policy may not be strong to prevent oil price war of which market share competition and target volume oil are the causes. OPEC and other export oil countries have yet to reach an agreement so oil price will be fluctuating wildly.

Conclusion

- We give the Biden presidency positive view to Vietnam oil and gas sector as the oil price could be more sustainable. We are optimistic about PVD (Petrol Vietnam Drilling), PVT (Petrol Vietnam Transportation), GAS (Petrol Vietnam Gas) as oil price rally is advantageous to their business results. We are also concerned on downstream stocks which would be hurt to a certain extent. Higher gas input prices could translate into lower margin for power and fertilizer plants through at different levels, including DPM (Dam Phu My), DCM (Dam Ca Mau).

Industrial Estate

Positive

Company	Rating	TP (VND)
KBC	Hold	
NTC	Hold	
LHG	Hold	

Encouraging growth momentum

Investment thesis

In our view, Biden win will blow a tailwind to Vietnam industrial estates thanks to following key points:

- **Demand for industrial estate remains strong.** As long as there is no rollback of Trump's hardline China policy and of tariff hurdle, FDI companies in China seek for a supply chain/production relocation and Vietnam is rising as the most preferred destination. Hence, we expect the demand for industrial estates remain strong driven by the FDI's need of moving out of China.
- **Biden lightens chance for U.S. to join TPP in the medium term.** Biden himself indicates open to the possibility of a renegotiated TPP during his campaign. With the launch of RCEP this week, the incoming Biden administration faces a pressure for its trade agenda with Asia. The new U.S. government should renegotiate and rejoin the TPP as soon as possible, for the sake of U.S. leadership, free and fair trade in the Indo-Pacific, and the creation and safeguarding of American jobs.

Risk factors

- **Containing pandemic economic fallout may fail or take longer than expected.** The incoming administration will need to tackle a lot of urgent domestic issues including the outbreak curb and economic revive. We view these tasks heavy and that plan may fail or take longer time than expected.

Conclusion

- We rate the Biden's policy impact Positive thanks to his willingness and open mind to free trade which could lead to huge FDI to Vietnam. The limited available for land sales in key economic zones also push a strong rent growth for industrial park operators.

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Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company				Sales	OP	NP	EPS	BPS	PE	PB	ROE	EV/EBITDA	DY
				(VND bn)	(VND bn)	(VNDbn)	(VND)	(VND)	(X)	(X)	(%)	(X)	(%)
KBC (HSX)	Recommendation	BUY	2017A	1,260	473	585	1,244	17,644	12.0	0.8	7.3	20	0.0
	TP (VND)	16,300	2018A	2,490	1,161	746	1,587	19,232	9.4	0.8	8.6	8	0.0
	Price (VND)	14,950	2019A	3,210	1,533	918	1,955	20,187	7.6	0.7	9.9	6	6.7
	Mkt cap. (VND bn)	7,022	2020F	2,719	965	593	1,262	21,449	11.8	0.7	6.1	7	0.0
			2021F	3,249	1,222	780	1,661	23,111	9.0	0.6	7.5	5	0.0
LHG (HSX)	Recommendation	BUY	2017A	488	192	166	6,157	25,693	4.5	1.3	23.6	-0.1	5.4
	TP (VND)	20,500	2018A	430	173	176	3,519	21,822	8.0	1.2	19.2	4.1	5.4
	Price (VND)	28,000	2019A	599	145	143	2,854	22,923	9.8	1.2	15.3	4.1	6.8
	Mkt cap. (VND bn)	1,401	2020F	666	203	174	3,475	24,012	8.1	1.1	17.6	3.6	6.8
			2021F	795	302	224	4,470	25,658	6.3	1.0	20.9	2.6	6.8
NTC (HSX)	Recommendation	BUY	2017A	146	63	142	8,905	23,720	33.7	12.6	42.6	35.5	0.5
	TP (VND)	205,000	2018A	532	438	456	28,476	36,810	10.5	8.1	94.1	6.8	2.0
	Price (VND)	299,900	2019A	194	86	237	14,782	36,287	20.3	8.3	40.4	27.0	5.0
	Mkt cap. (VND bn)	4,798	2020F	283	146	285	17,808	43,760	16.8	6.9	44.5	17.7	2.7
			2021F	339	164	284	17,719	51,707	16.9	5.8	37.1	18.6	2.7

Note: Data as of 16 Nov 2020

Source: KIS

Banking

Neutral

Company	Rating	TP (VND)
ACB	BUY	33,400
MBB	BUY	24,200
TCB	BUY	28,400
VCB	Hold	-

SBV's supportive policies are more meaningful

Investment thesis

In our view, Biden win do not place significant impact on Vietnam banking industry, following key points:

- **Biden or Trump, the Fed will continue its ongoing works.** Either Biden or Trump are named as the USA's President, they both will serve for the benefit of America. The Fed will continue its ongoing works in at least three more years to assist recovery of the US's economy. Given Biden's green energy supports; FED is able join the Network for Greening the Financial System (NGFS) next year. NGFS's vision is to enhance the role of financial system in measuring climate-related risks and promoting best practice on green finance. As Vietnam is assessed to be the top countries most vulnerable to climate change impact, this is somewhat good news for Vietnam but in the very long run. For the coming years, rapid GDP growth may continue as we believe Vietnam is still an attractive destination for FDI inflow given the restructuring of global manufacturing value chain. Besides, the country's success from the "COVID-19 war" has bolstered investor's impression and confidence.
- **Internal components dominate Vietnam banking.** We believe, the industry's prospects should depend on the SBV's monetary, particularly the COVID-19 regulatory reliefs. Currently, Circular 01 helps to eliminate systemic risk related to massive distressed in the bank's assets quality and profitability. The industry continued to carry moratoriums on the pandemic impacted debtors in 3Q20 and raised volume of COVID-19 restructured loans from VND210tn (~2.5% of total credit) on 13 July to VND331tn (~3.8% of total credit) on 28 Sep 2020.
- **Favorable regulation policy from SVB remains.** Banks in KIS universe have been stronger since they reported slight falls or flat in the COVID-19 restructured amount and some distressed loans have appeared on the bank's balance sheets. Credit growth of KIS universe increased by 5.78% YTD vs. 6.09% of the industry due to modest growths at state owned banks including CTG and BID. On the other hands, those at private banks including ACB, TCB, MBB, VPB and VIB grew at around 9-16.5% YTD. As the pandemic is still complicated, we believe the Governor will not remove incentive policies in 2021.

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Risk factors

- **Worsen virus spread in 2021F threatens global economy.** The virus situation causes uncertainty in global demand, then directly impact on Vietnamese's economy (FDI inflow and national income) given its high openness ratio.
- **Withdraw of regulatory reliefs and monetary easing policy comes earlier than expected.** If the reliefs provoke happen, the industry may face with more deteriorated assets, rises in lending rates, and/or liquidity issues.

Conclusion

- Given vulnerable prospect we prefer banks who have resilient assets, well-prepared for higher credit cost and undervalued valuation. ACB, TCB and MBB are among our top picks.

Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company				TOI	PPOP	NPAT	EPS	BPS	PER	PBR	ROE	ROA	DY
				(VND bn)	(VND bn)	(VND bn)	(VND)	(VND)	(X)	(X)	(%)	(X)	(%)
ACB (HNX)	Recommendation	BUY	2017	11,439	5,222	2,118	981	7,606	27.7	3.6	0.8	14.1	1.2
	TP (VND)	33,400	2018	14,033	7,321	5,137	2,390	9,972	11.4	2.7	1.7	27.7	-
	Price (VND)	27,200	2019	16,097	7,790	6,010	2,744	12,893	9.9	2.1	1.7	24.6	-
	Mkt cap. (VND bn)	2,518	2020F	18,082	9,888	6,955	3,171	16,063	8.6	1.7	1.7	22.3	-
			2021F	22,696	12,411	8,559	3,906	18,969	7.0	1.4	1.9	22.6	3.7
MBB (HSX)	Recommendation	BUY	2017	13,867	7,868	3,461	1,182	10,437	16.4	1.9	1.2	12.9	2.1
	TP (VND)	24,200	2018	19,537	10,803	6,113	2,140	12,165	9.1	1.6	1.8	20.1	2.5
	Price (VND)	19,500	2019	24,650	14,927	7,823	2,752	14,197	7.0	1.4	2.1	22.2	-
	Mkt cap. (VND bn)	2,221	2020F	26,727	16,945	8,207	2,763	17,164	7.0	1.1	1.9	19.1	3.1
			2021F	30,061	19,059	8,790	2,963	19,527	6.5	1.0	1.9	17.1	3.1
TCB (HSX)	Recommendation	BUY	2017	16,344	11,646	6,446	2,157	9,039	10.9	2.6	2.6	27.7	-
	TP (VND)	28,400	2018	18,351	12,508	8,464	2,409	14,770	9.7	1.6	2.9	21.5	-
	Price (VND)	23,400	2019	21,068	13,756	10,075	2,872	17,568	8.1	1.3	2.9	17.8	-
	Mkt cap. (VND bn)	3,526	2020F	26,392	17,709	11,510	3,271	20,839	7.2	1.1	2.9	17.1	-
			2021F	29,299	19,587	12,653	3,595	24,435	6.5	1.0	2.8	16.0	-
VCB (HSX)	Recommendation	N/A	2017	29,406	17,540	9,111	2,001	14,559	43.2	5.9	1.0	1.0	0.9
	TP (VND)	93,000	2018	39,278	25,667	14,622	3,334	17,244	25.9	5.0	1.4	1.4	0.0
	Price (VND)	90,200	2019	45,730	29,913	18,526	4,287	21,763	20.2	4.0	1.6	1.6	0.0
	Mkt cap. (VND bn)	334,540	2020F	49,485	32,418	19,175	4,274	26,045	20.2	3.3	1.5	1.5	1.2
			2021F	57,355	37,574	22,444	5,124	30,179	16.9	2.9	1.7	1.7	1.2

Note: Data as of 19 Nov 2020

Source: KIS

Asia Commercial Bank (ACB)

BUY (Maintain), TP VND33,400

Stock price (19 Nov, VND)	27,200
Market cap (USD mn)	2,518
Shares outstanding (mn)	2,162
52W High/Low (VND)	27,200/13,693
6M avg. daily turnover (USD mn)	6.58
Free float (%)	75.8
Foreign ownership (%)	30.0
Major shareholders (%)	
Dragon Capital	12.2
ALP Asia Finance	10.0

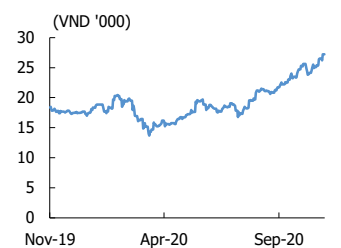
Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	PB	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	11,439	5,222	2,118	981	62.2	7,606	27.7	3.6	0.8	14.1	1.2
2018A	14,033	7,321	5,137	2,390	143.6	9,972	11.4	2.7	1.7	27.7	-
2019F	16,097	7,790	6,010	2,744	14.8	12,893	9.9	2.1	1.7	24.6	-
2020F	18,082	9,888	6,955	3,171	15.6	16,063	8.6	1.7	1.7	22.3	-
2021F	22,696	12,411	8,559	3,906	23.2	18,969	7.0	1.4	1.9	22.6	3.7

Another exciting year ahead

Performance

	1M	6M	12M
Absolute (%)	7.5	58.1	46.9
Rel. to VNIndex (%p)	3.2	41.3	46.7

Stock price trend



Speed-up credit growth since 3Q20. Credit speeded up in 3Q20 and caught up 9M ytd growth level of 9-11% ytd in the last three years. The growth came from lending activities while it has not joined corporate bond boom in the period. We believe credit may retain high growth pace to achieve ~15% ytd in 4Q20 and 14% in 2021F. However, we don't expect ACB to raise its risk appetite with forecast credit cost of around 0.4-0.6% in the next two years.

To promote non-interest income lines. ACB plans to promoting net fee income line from current level of 14% of TOI. We expect the weight of NFI to TOI may enlarge to ~24% by 2024 which is thanks to: 1) Its advantages from solid retail client base and strong retail banking brand; 2) its outstanding bancassurance record in the last two years has proven the bank's ability to develop this business further and; 3) the bank's technology investment with aims to increase customer experience and engagement.

Low-interest rates keep favor its fixed-income investment. ACB earned VND800bn of net profit from securities in 9M20, mainly coming from its G-bond investment profit taking. As the Government need to maintain low interest rate environment for restoring the whole economy, ACB still has chance to revaluation its big G-bond holding of ~14-16% of total assets.

Reaffirm BUY and lift TP to VND33,400. The finalized ACB- Sunlife exclusive 15-year bancassurance partnership has surprised overall market with an upfront fee of ~VND8.5tn (\$370mn), beating all sell-side forecasts (143% above KIS's estimation). We believe that the recorded upfront fee above should engage with a heavy push on the bank's bancassurance business in coming years. We then raise 2021TP to VND33,400. We reaffirm BUY given the bank's resilient balance sheet, ability to develop non-interest income stream, possibility of revaluating its excessive G-bond investment and relisting on HSX, Vietnam largest equity exchange.

Balance sheet

(VND bn)

	2017A	2018A	2019A	2020F	2021F
Total assets	284,316	329,333	383,514	432,534	481,158
Gross IEAs	269,537	314,817	368,778	417,105	463,725
Loans and corp bonds	198,689	230,527	268,701	308,334	351,501
Household	197,294	215,713	247,094	-	-
Corporate	1,395	14,814	21,606	308,334	351,501
Dep't and loans to FIs	12,768	19,460	30,442	29,808	25,944
Dep't to SBV & G-bond	58,080	64,829	69,636	78,963	86,281
VAMC bond	40	40	-	-	-
NIEAs	18,659	19,109	19,609	21,347	24,309
Others	3,920	4,633	4,873	5,919	6,876
Total liabilities	268,285	308,315	355,749	397,813	440,156
Deposits	241,393	269,999	308,129	346,732	385,487
Debentures	6,761	8,291	20,831	23,441	26,061
Dep't and loans from FIs	15,590	20,878	19,405	19,405	19,405
Loans from Gov't & SBV	-	3,074	-	-	-
Other liabilities	4,541	6,073	7,384	8,236	9,204
Total equities	16,031	21,018	27,765	34,720	41,002
Controlling interests	16,031	21,018	27,765	34,720	41,002
Capital stock	10,273	12,886	16,627	21,616	21,616
Capital surplus	-	-	272	272	272
Other reserves	2,914	3,693	4,596	5,497	6,541
Retained earnings	2,844	4,439	6,270	7,336	12,574
OCI	-	-	-	-	-
Minority interest	-	-	-	-	-

Income statement

(VND bn)

	2017A	2018A	2019A	2020F	2021F
Total operating income	11,439	14,033	16,097	18,082	22,696
Net interest income	8,458	10,363	12,112	13,751	15,999
Interest income	20,320	24,015	28,318	31,699	36,061
Interest cost	11,862	13,652	16,205	17,947	20,061
Non-interest income	2,981	3,670	3,985	4,330	6,696
Net commission income	1,425	1,739	2,327	2,737	4,925
Gains on investment securities	664	117	158	1,030	1,303
Other non-interest income	892	1,815	1,500	563	468
Provision for credit losses	2,565	932	274	1,194	1,712
Net operating revenue	8,874	13,101	15,824	16,888	20,983
SG&A	6,217	6,712	8,308	8,194	10,285
Employee benefits	2,668	3,220	3,746	4,208	5,281
Pre-provision earnings	5,222	7,321	7,790	9,888	12,411
Earnings before tax	2,656	6,389	7,516	8,694	10,698
Tax	538	1,252	1,506	1,739	2,140
Tax rate (%)	20.3	19.6	20.0	20.0	20.0
Continuing operations profit	1,749	3,372	4,510	6,392	8,090
Reversals of written-off loans	369	1,765	1,500	563	468
Net profit	2,118	5,137	6,010	6,955	8,559
Net profit of controlling interest	2,118	5,137	6,010	6,955	8,559

Key financial data

	2017A	2018A	2019A	2020F	2021F
Profitability and efficiency (%)					
ROE	14.1	27.7	24.6	22.3	22.6
ROA	0.8	1.7	1.7	1.7	1.9
NIM	3.5	3.6	3.6	3.5	3.7
Asset yield	8.4	8.3	8.3	8.1	8.3
Cost of fund	4.9	4.8	5.0	4.9	4.9
Cost-income ratio	54.4	47.8	51.6	45.3	45.3
Credit cost	0.9	0.4	0.1	0.4	0.5
Growth (%)					
Net profit of controlling interest	59.8	142.5	17.0	15.7	23.1
Pre-provision earnings	81.0	40.2	6.4	26.9	25.5
Credit growth	19.3	16.0	16.6	14.8	14.0
Total assets	21.7	15.8	16.5	12.8	11.2
Asset quality (%)					
NPL ratio	0.7	0.7	0.5	0.9	0.8
NPL coverage ratio	132.7	151.9	175.0	122.3	136.3
Loan to deposit	76.9	78.6	78.4	80.3	82.7
Capital adequacy (%)					
CAR ratio	8.0	10.1	10.9	11.9	12.5
CET1 ratio	n.a	n.a	9.7	10.7	11.3
Tier 1 ratio	6.7	8.6	9.7	10.7	11.3

Valuation

	2017A	2018A	2019A	2020F	2021F
Per share (VND, adj.)					
BPS	7,606	9,972	12,893	16,063	18,969
EPS	981	2,390	2,744	3,171	3,906
DPS	327	-	-	-	1,000
Valuation (x)					
PB	3.6	2.7	2.1	1.7	1.4
PE	27.7	11.4	9.9	8.6	7.0
P/PPE	11.0	7.8	7.5	5.9	4.7
Dividend yield (%)	1.2	-	-	-	3.7
Dividend payout ratio (%)	33.4	-	-	-	25.6
ROE analysis (%)					
ROE	14.1	27.7	24.6	22.3	22.6
Leverage(x)	17.7	15.7	13.8	12.5	11.7
IEAs to total assets	93.5	94.3	95.0	95.1	95.0
Net income to IEAs	0.8	1.6	1.6	1.7	1.8
Net interest income to IEAs	3.1	3.3	3.3	3.3	3.5
Non-interest income to IEAs	1.1	1.2	1.1	1.0	1.4
Credit cost to IEAs	1.0	0.3	0.1	0.3	0.4
SG&A to IEAs	2.3	2.1	2.3	2.0	2.2

MBBank (MBB)

BUY (Maintain), TP VND 24,200

Stock price (20 Oct, VND)	19,500
Market cap (USD mn)	2,221
Shares outstanding (mn)	2,773
52W High/Low (VND)	19,696/11,783
6M avg. daily turnover (USD mn)	4.71
Free float (%)	66.9
Foreign ownership (%)	23.0
Major shareholders (%)	
Group of Military companies	28.8
SCIC	9.6

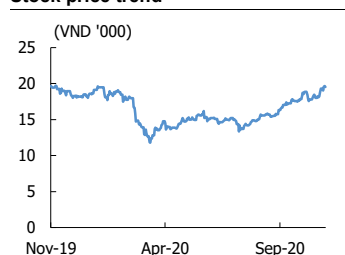
Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	PB	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	13,867	7,868	3,461	1,182	17.9	10,437	16.4	1.9	1.2	12.9	2.1
2018A	19,537	10,803	6,113	2,140	81.0	12,165	9.1	1.6	1.8	20.1	2.5
2019F	24,650	14,927	7,823	2,752	28.6	14,197	7.0	1.4	2.1	22.2	-
2020F	26,727	16,945	8,207	2,763	0.4	17,164	7.0	1.1	1.9	19.1	3.1
2021F	30,061	19,059	8,790	2,963	7.2	19,527	6.5	1.0	1.9	17.1	3.1

Emphasize on retail loans and corporate bond investment

Performance

	1M	6M	12M
Absolute (%)	6.8	28.6	(1.5)
Rel. to VNIndex (%p)	2.5	11.8	(1.7)

Stock price trend



Robust 3Q20 credit growth. MBB 9M20 credit growth reached 11.7% ytd, driving by corporate bond investment (+84% ytd; VND28tn) and retail loan book (+10.9% ytd; VND112tn). Its consumer finance division, MCredit showed a decrease of 6.7% YTD in lending balance. These results should be result of the bank's shifting toward whole sales (corporate bond investments) and retail segments (lending business) in order to improve NIM and assets quality. We believe the bank's credit growth to keep accelerating in 4Q20 given its aggressive approaches and price advantages.

Top line growth to offset higher credit risk. We expect the bank's TOI to achieve TOI growth of around 12-13% yoy, which is meaningful to offset the rise of credit cost to ~2.2-2.3% in the next two years vs. 1.5-2% in 2018-2019. Resilient NIM and NFI growth trajectory should be main pushes.

We raise TP to VND24,400 and reaffirm BUY on MBB which are thanks to recovery of retail loans, positive NIM trend and development of its retail customer base amid tough situation. The new target price implies a forward P/B of 1.24x on 2021 earnings.

Balance sheet

(VND bn)

	2017A	2018A	2019A	2020F	2021F
Total assets	313,878	362,325	411,488	461,034	511,279
Gross IEAs	297,180	344,546	391,168	441,980	491,022
Loans and corp bonds	190,238	223,420	265,602	309,459	348,875
Household	60,107	81,011	101,304	-	-
Corporate	130,131	142,409	164,299	-	-
Dep't and loans to FIs	63,082	66,755	63,162	66,967	76,915
Dep't to SBV & G-bond	43,860	54,371	62,404	65,554	65,232
VAMC bond	-	-	-	-	-
NIEAs	20,470	22,055	24,462	25,309	27,463
Others	3,772	4,276	4,142	6,255	7,206
Total liabilities	284,277	328,152	371,630	410,784	454,131
Deposits	220,176	239,964	272,710	292,452	326,070
Debentures	6,022	11,158	26,289	38,019	42,389
Dep't and loans from FIs	46,398	60,791	50,616	55,648	58,415
Loans from Gov't & SBV	1,848	2,633	17	-	-
Other liabilities	9,832	13,607	21,998	24,666	27,257
Total equities	29,601	34,173	39,858	50,250	57,148
Controlling interests	28,170	32,643	37,970	48,104	54,726
Capital stock	18,155	21,605	23,727	28,026	28,026
Capital surplus	828	-	-	1,178	1,178
Other reserves	3,209	3,915	4,965	6,235	7,466
Retained earnings	5,977	7,124	9,278	12,665	18,056
OCI	-	-	-	-	-
Minority interest	1,431	1,530	1,888	2,146	2,422

Income statement

(VND bn)

	2017A	2018A	2019A	2020F	2021F
Total operating income	13,867	19,537	24,650	26,727	30,061
Net interest income	11,219	14,583	18,000	20,242	23,033
Interest income	19,876	24,824	31,197	32,980	37,644
Interest cost	8,657	10,241	13,197	12,737	14,611
Non-interest income	2,648	4,953	6,650	6,485	7,028
Net commission income	1,332	3,006	3,833	3,944	4,869
Gains on investment securities	207	430	718	973	299
Other non-interest income	1,109	1,517	2,099	1,567	1,861
Provision for credit losses	3,252	3,035	4,891	6,364	7,727
Net operating revenue	10,615	16,501	19,760	20,364	22,335
SG&A	5,999	8,734	9,724	9,782	11,002
Employee benefits	n.a	n.a	n.a	n.a	n.a
Pre-provision earnings	7,868	10,803	14,927	16,945	19,059
Earnings before tax	4,616	7,767	10,036	10,581	11,332
Tax	1,125	1,577	1,968	2,116	2,266
Tax rate (%)	24.4	20.3	19.6	20.0	20.0
Continuing operations profit	2,711	5,168	6,133	7,062	7,369
Reversals of written-off loans	779	1,022	1,935	1,403	1,697
Net profit	3,490	6,190	8,069	8,465	9,066
Net profit of controlling interest	3,461	6,113	7,823	8,207	8,790

Key financial data

	2017A	2018A	2019A	2020F	2021F
Profitability and efficiency (%)					
ROE	12.9	20.1	22.2	19.1	17.1
ROA	1.2	1.8	2.1	1.9	1.9
NIM	4.3	4.6	5.0	5.0	5.0
Asset yield	7.6	7.9	8.6	8.1	8.2
Cost of fund	3.5	3.5	4.0	3.5	3.6
Cost-income ratio	43.3	44.7	39.4	36.6	36.6
Credit cost	1.9	1.5	2.0	2.2	2.3
Growth (%)					
Net profit of controlling interest	21.2	76.6	28.0	4.9	7.1
Pre-provision earnings	38.5	37.3	38.2	13.5	12.5
Credit growth	23.6	17.4	18.9	16.5	12.7
Total assets	22.5	15.4	13.6	12.0	10.9
Asset quality (%)					
NPL ratio	1.2	1.3	1.2	1.5	1.6
NPL coverage ratio	95.9	112.3	110.5	119.3	120.9
Loan to deposit	72.5	76.6	80.8	85.3	86.7
Capital adequacy (%)					
CAR ratio	12.0	11.0	10.1	11.5	11.6
CET1 ratio	n.a	n.a	n.a	n.a	n.a
Tier 1 ratio	-	-	9.0	10.1	10.3

Valuation

	2017A	2018A	2019A	2020F	2021F
Per share (VND, adj.)					
BPS	10,437	12,165	14,197	17,164	19,527
EPS	1,182	2,140	2,752	2,763	2,963
DPS	404	483	-	600	600
Valuation (x)					
PB	1.9	1.6	1.4	1.1	1.0
PE	16.4	9.0	7.0	7.0	6.5
P/PPE	6.6	4.8	3.5	3.2	2.8
Dividend yield (%)	2.1	2.5	-	3.1	3.1
Dividend payout ratio (%)	34.1	22.6	-	21.7	20.3
ROE analysis (%)					
ROE	12.9	20.1	22.2	19.1	17.1
Leverage(x)	10.6	10.6	10.3	9.2	8.9
IEAs to total assets	93.6	94.0	94.1	94.6	94.7
Net income to IEAs	1.2	1.8	2.0	1.9	1.8
Net interest income to IEAs	3.8	4.2	4.6	4.6	4.7
Non-interest income to IEAs	0.9	1.4	1.7	1.5	1.4
Credit cost to IEAs	1.1	0.9	1.3	1.4	1.6
SG&A to IEAs	2.0	2.5	2.5	2.2	2.2

Techcombank (TCB)

BUY (Maintain), TP VND 28,400

Stock price (13 Nov, VND)	23,400
Market cap (USD mn)	3,526
Shares outstanding (mn)	3,500
52W High/Low (VND)	24,200/14,900
6M avg. daily turnover (USD mn)	7.00
Free float (%)	69.9
Foreign ownership (%)	22.5
Major shareholders (%)	
Masan & affiliates	20.0
Mr Ho Hung Anh (Chairman) & family	17.0

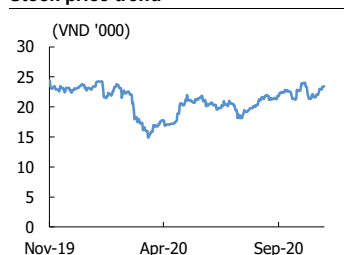
Yr to	TOI	PPE	NP	EPS	% chg	BPS	PE	PB	ROA	ROE	DY
Dec	(VND bn)	(VND bn)	(VND bn)	(VND)	(YoY)	(VND bn)	(x)	(x)	(x)	(%)	(%)
2017A	16,344	11,646	6,446	2,157	83.3	9,039	10.9	2.6	2.6	27.7	-
2018A	18,351	12,508	8,464	2,409	11.7	14,770	9.7	1.6	2.9	21.5	-
2019F	21,068	13,756	10,075	2,872	19.2	17,568	8.1	1.3	2.9	17.8	-
2020F	26,392	17,709	11,510	3,271	13.9	20,839	7.2	1.1	2.9	17.1	-
2021F	29,299	19,587	12,653	3,595	9.9	24,435	6.5	1.0	2.8	16.0	-

Outstanding in CASA attraction

Performance

	1M	6M	12M
Absolute (%)	1.7	10.9	(4.3)
Rel. to VNIndex (%)	(2.6)	(5.9)	(4.5)

Stock price trend



The most active player on corporate bond market. TCB (via the parent bank and subsidiaries) holds the biggest market share on both primary and secondary corporate bond market. It gained a bond fee of VND894bn, up 165% yoy in 9M20 on advisory volume of VND52.2tn (+114% yoy) and redistribution volume to retail customers of VND56.4tn (+43% yoy). Despite stricter regulations on debt capital market, we believe TCB's bond services to keep growing in coming years thanks to its whose-sales client base including some top-tier private companies in Vietnam and its growing affluent retail client base. We project an annual bond fee income of VND1.2-1.8tn in forecast period.

Real estate chain to regain in 4Q20. Corporate bond holding led the bank's credit growth to achieve 9.2% ytd while lending was flat at most its customer segments in 9M20. The standstill loan book may be to blame for limited property supply in the period. However, since many of TCB's anchored developers such as Vinhomes, Masterise and MIK to ramp up construction works and sales, we expect overall credit growth to reach 17% in 2020 and 16% in 2021F.

NIM to take off. 3Q20 NIM improved by 69 bps to 5.01% in 9M20 thanks to 1) low funding cost as results of CASA improvement and series of the bank's deposit rate cuts in 2Q20-3Q20; 2) mortgage loans disbursed in 2019 (VND39tn) have ended preferential periods; and 3) the shift toward corporate bond investment and medium & long-term loans.

We raise TP to VND28,400 and maintain BUY on TCB is our latest update on 16 Nov 2020. We respect the bank's CASA development, which rises from a ratio of 21% in 2015 to the industry-high of 39% in 3Q20. Notably, this improvement is remarkably contributed by retail segment which may imply a great development in TCB' retail client base and a resilient low funding cost source.

Balance sheet

(VND bn)

	2017A	2018A	2019A	2020F	2021F
Total assets	269,392	320,989	383,699	434,955	497,368
Gross IEAs	253,573	300,498	357,743	403,887	459,578
Loans and corp bonds	182,541	219,595	261,400	305,899	354,447
Household	64,777	72,384	105,247	-	-
Corporate	117,764	147,211	156,153	-	-
Dep't and loans to Fls	36,706	44,975	59,154	53,649	54,239
Dep't to SBV & G-bond	34,326	35,928	37,188	44,338	50,892
VAMC bond	-	-	-	-	-
NIEAs	19,228	23,314	29,422	34,646	42,037
Others	3,409	2,823	3,466	3,578	4,247
Total liabilities	242,462	269,276	321,917	361,723	411,552
Deposits	170,971	201,415	231,297	256,724	288,203
Debentures	17,640	13,178	17,461	19,380	28,820
Dep't and loans from Fls	46,324	36,426	61,267	72,767	80,043
Loans from Gov't & SBV	1,000	6,025	-	-	-
Other liabilities	6,527	12,232	11,893	12,853	14,486
Total equities	26,931	51,713	61,782	73,232	85,815
Controlling interests	26,931	51,644	61,491	72,941	85,525
Capital stock	11,655	34,966	35,001	35,001	35,001
Capital surplus	2,165	477	477	477	477
Other reserves	6,157	3,868	5,173	6,684	8,410
Retained earnings	6,953	12,334	20,841	30,779	41,636
OCI	-	-	-	-	-
Minority interest	-	69	291	291	291

Key financial data

	2017A	2018A	2019A	2020F	2021F
Profitability and efficiency (%)					
ROE	27.7	21.5	17.8	17.1	16.0
ROA	2.6	2.9	2.9	2.9	2.8
NIM	3.86	4.09	4.40	4.93	5.02
Asset yield	7.60	7.78	7.73	7.80	7.96
Cost of fund	3.88	4.07	3.79	3.26	3.36
Cost-income ratio	28.7	31.8	34.7	32.9	33.1
Credit cost	1.57	0.92	0.38	1.07	1.04
Growth (%)					
Net profit of controlling interest	104.7	31.3	19.0	14.2	9.9
Pre-provision earnings	52.1	7.4	10.0	28.7	10.6
Credit growth	16.3	20.3	19.0	17.0	15.9
Total assets	14.5	19.2	19.5	13.4	14.3
Asset quality (%)					
NPL ratio	1.6	1.8	1.3	1.2	1.2
NPL coverage ratio	72.9	85.1	94.8	95.6	98.2
Loan to deposit	77.8	66.5	81.3	78.0	81.5
Capital adequacy (%)					
CAR ratio	9.4	14.6	15.5	15.8	16.1
CET1 ratio	n.a	n.a	n.a	n.a	n.a
Tier 1 ratio	n.a	n.a	15.2	15.5	15.8

Income statement

(VND bn)

	2017A	2018A	2019A	2020F	2021F
Total operating income	16,344	18,351	21,068	26,392	29,299
Net interest income	8,930	11,127	14,258	18,522	21,384
Interest income	17,595	21,151	25,016	29,278	33,925
Interest cost	8,664	10,024	10,758	10,756	12,541
Non-interest income	7,413	7,223	6,810	7,870	7,916
Net commission income	4,090	3,770	3,358	4,150	4,785
Gains on investment securities	1,608	1,820	1,646	1,490	861
Other non-interest income	1,715	1,634	1,807	2,230	2,269
Provision for credit losses	3,609	1,846	917	3,028	3,448
Net operating revenue	12,735	16,504	20,151	23,364	25,851
SG&A	4,698	5,843	7,313	8,683	9,712
Employee benefits	2,595	3,240	4,262	n.a	n.a
Pre-provision earnings	11,646	12,508	13,756	17,709	19,587
Earnings before tax	8,036	10,662	12,838	14,681	16,139
Tax	1,591	2,187	2,612	2,936	3,228
Tax rate (%)	19.8	20.5	20.3	20.0	20.0
Continuing operations profit	4,905	7,052	9,146	10,447	11,574
Reversals of written-off loans	1,541	1,423	1,080	1,298	1,337
Net profit	6,446	8,475	10,226	11,745	12,911
Net profit of controlling interest	6,446	8,464	10,075	11,510	12,653

Valuation

	2017A	2018A	2019A	2020F	2021F
Per share (VND, adj.)					
BPS	9,039	14,770	17,568	20,839	24,435
EPS	2,157	2,409	2,872	3,271	3,595
DPS	-	-	-	-	-
Valuation (x)					
PB	2.6	1.6	1.3	1.1	1.0
PE	10.9	9.7	8.1	7.2	6.5
P/PPE	6.0	6.5	6.0	4.6	4.2
Dividend yield (%)	-	-	-	-	-
Dividend payout ratio (%)	-	-	-	-	-
ROE analysis (%)					
ROE	27.7	21.5	17.8	17.1	16.0
Leverage(x)	10.0	6.2	6.2	5.9	5.8
IEAs to total assets	93.0	92.8	92.4	92.1	91.6
Net income to IEAs	2.5	2.8	2.8	2.8	2.8
Net interest income to IEAs	3.5	3.7	4.0	4.6	4.7
Non-interest income to IEAs	2.9	2.4	1.9	1.9	1.7
Credit cost to IEAs	1.4	0.6	0.3	0.7	0.8
SG&A to IEAs	1.9	1.9	2.0	2.1	2.1

Residential Property

Neutral

Immunization

Investment thesis

In our view, Biden win will not impose impact on Vietnam residential property based on following key points:

- **United States of America homebuyers are insignificant in Vietnamese housing market.** Foreign homebuyers in Vietnam bought 16,000 units, accounting 2% of total houses sold in last five years. Of which, homebuyers from China, Hong Kong, Korea made up over 70%, living USA purchase was immaterial. We think USA homebuyers have limited impact on Vietnamese housing market.
- **Biden policy does not eye property sector.** No evidence so far is found to give a hint on what Biden could directly or indirectly aim on property sector. Based on the history data, we can imply that Biden could take no measure to approach the property sector, leaving discretion to its own development.
- **Vietnamese housing market is affected by inherent influences.** We strongly believe Vietnam housing industry is activating by their embedded factors. Fast growing urbanization rate coupled with increasing existence of middle-income class in Vietnam are among the key drivers of demand growth. These influences are still leading the need for houses of 50,000-100,000 units per year in the medium term despite the hiccups from the COVID outbreak. In contrast to energetic demand, the supply has been impeded from last two years due to stricter licensing process, and limited land bank at the costly expense.

Risk factors

- **Biden's policy fails to revive USA economy.** There is no direct linkage between Vietnam housing market and USA economy growth. If USA economic are on path to prolonged recession, rather than recovery, the global settings could be somewhat impacted. Vietnam economic health in general and property sector in particular are not immunizing.

Conclusion

- We rate the Biden's policy impact Neutral to factor in the limited interaction between Vietnam residential sector and Biden's policy implication. We insist on the underlying factors including vulnerable demand for house amid uncertain Vietnam economy recovery and stuck new supply in last two years are the worthiest of note at present.

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Coverage valuation

Recommendation & TP			Earnings & Valuation										
Company				Sales	EBIT	NPAT	EPS	BPS	PER	PBR	ROE	EV/EBITDA	DY
				(VND bn)	(VND bn)	(VNDbn)	(VND)	(VND)	(X)	(X)	(%)	(X)	(%)
VHM (HSX)	Recommendation	BUY	2017	15,297	3,128	1,410	5,639	27,617	13.9	2.8	31.0	10	0.0
	TP (VND)	93,500	2018	38,664	7,617	14,284	4,567	12,907	17.1	6.1	57.0	35	0.0
	Price (VND)	78,300	2019	51,627	23,219	21,747	6,493	16,748	12.1	4.7	43.8	12	1.4
	Mkt cap. (VND bn)	257,568	2020F	91,787	31,621	28,895	8,627	26,031	9.1	3.0	40.3	8.7	1.3
			2021F	75,138	33,290	32,724	9,770	33,756	8.0	2.3	32.7	8.7	1.3
KDH (HSX)	Recommendation	BUY	2017	3,055	792	502	1,111	10,360	22.0	2.4	11.6	14	4.1
	TP (VND)	27,000	2018	2,917	982	808	1,514	12,161	16.2	2.0	13.4	12	2.0
	Price (VND)	24,750	2019	2,813	1,223	915	1,613	13,362	15.2	1.8	12.6	11	2.0
	Mkt cap. (VND bn)	13,632	2020F	3,602	1,506	1,104	1,954	14,223	12.5	1.7	14.2	9	2.0
			2021F	4,519	1,732	1,343	2,386	15,857	10.2	1.5	15.9	7	2.0
DXG (HSX)	Recommendation	BUY	2017	2,879	1,186	728	2,127	19,397	6.4	0.7	20.6	4.5	0.0
	TP (VND)	14,600	2018	4,645	1,835	1,178	3,427	14,282	4.0	1.0	26.7	3.5	0.0
	Price (VND)	13,700	2019	5,814	2,099	1217	2,645	13,439	5.2	1.0	20.3	5.2	0.0
	Mkt cap. (VND bn)	7,114	2020F	4,019	1,559	190	365	14,002	37.6	1.0	2.7	8.3	0.0
			2021F	6,949	2,156	1,002	1,927	15,908	7.1	0.9	12.9	5.8	0.0
NLG (HSX)	Recommendation	BUY	2017	3,161	881	535	2,696	13,114	10.5	2.0	14.7	4.5	0.0
	TP (VND)	30,900	2018	3,480	1,013	763	3,280	14,071	8.7	2.0	19.8	4.4	0.0
	Price (VND)	28,400	2019	2,546	626	960	3,709	17,831	7.7	1.6	20.3	8.8	1.7
	Mkt cap. (VND bn)	7,840	2020F	1,867	245	826	3,032	19,464	9.4	1.5	19.9	18.0	1.7
			2021F	4,073	686	1,112	3,898	20,605	7.3	1.4	15.1	10.0	1.7

Note: Data as of 16 Nov 2020

Source: KIS

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■ General

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