

Logistics

Positive output growth for 2H24

Analyst Nguyen Ngoc Anh
anhntn@kbsec.com.vn

June 27, 2024

Positive change

Recommendations

GMD	BUY
Price target	VND100,600

HAH	BUY
Price target	VND51,700

1Q24 business results of seaport enterprises are more positive than those of maritime shipping enterprises

Revenues of seaport and shipping businesses both witnessed growth over the same period last year thanks to the bounce-back in cargo output. However, contrary to the improved GPM of the seaport industry (mainly supported by the higher service prices at the beginning of the year and optimized costs thanks to port upgrading projects), the GPM of shipping enterprises plummeted due to low spot freight rates and re-signed ship charter rates in 1Q24.

The total cargo throughput of the whole country at the end of the year should grow YoY

The output of goods through Vietnam seaports is expected to reach a growth rate of 7-9% compared to 2023, based on: (1) import-export prospects continue to be positive towards the end of the year; (2) FDI capital maintains at a high level; and (3) projects to upgrade ports and related infrastructure are being completed.

Business performance of shipping businesses is expected to recover by the end of the year

We changed our rating for logistics sector from neutral to positive in 2H24, considering: (1) shipping rates are expected to remain high in the near future due to increased demand for ships and the risk of a shortage of empty containers; and (2) transport output will increase in line with the trend of increasing stockpiling over concerns that sea freight prices will continue to climb and prolong amid more serious supply chain disruptions.

Contents

I. Business performance in 1H24	3
II. Business outlook for 2H24	6
III. Companies	10
Gemadept (GMD, BUY)	11
Hai An Transport (HAH, BUY)	12

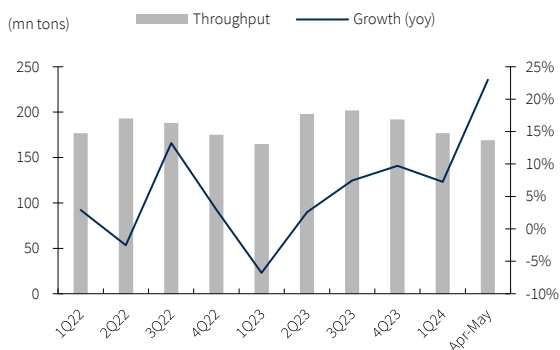
I. Business performance in 1H24

Total container throughput recovered strongly in 1H24 thanks to low bases in 2023

According to statistics from the Vietnam Maritime Administration, the total output of goods through Vietnam's seaport system in 5M24 reached more than 346 million tons (+17% YoY). Of that, import output recorded 107 million tons (+27% YoY), exports 84 million tons (+17% YoY), and domestic cargo was 154 million tons (+11% YoY). Container throughput of the whole system reached 11.6 million TEUS, gaining 20% YoY and 10% compared to 5M22.

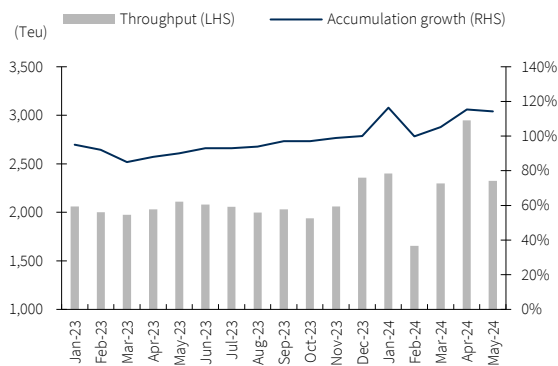
The strong recovery of port throughput in 1H24 was thanks to (1) the low base level in 1H23 and (2) the continuous increase in import-export turnover from April 2023. The total import-export turnover in 5M24 rose more than 16% YoY, underpinned by the inventory stockpiling in two major markets, the US and EU.

Fig 1. Vietnam – Total port throughput (million tons)



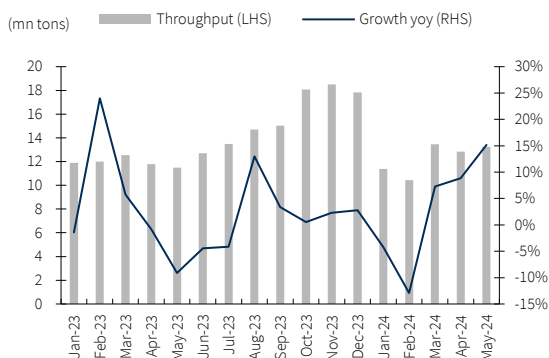
Source: Vietnam Seaport Association, KB Securities Vietnam

Fig 2. Vietnam – Total container output (TEU)



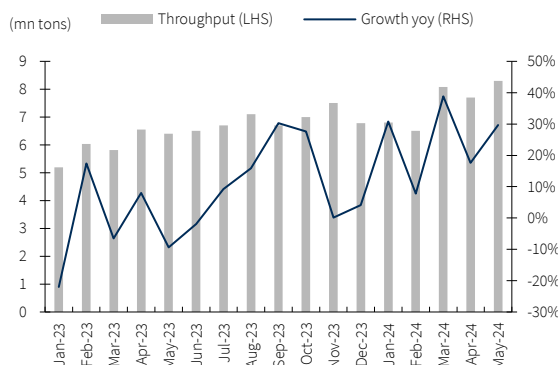
Source: Vietnam Seaport Association, KB Securities Vietnam

Fig 3. Vietnam – Cargo output through Hai Phong ports (million tons)



Source: General Statistics Department of Hai Phong, KB Securities Vietnam

Fig 4. Vietnam – Cargo output through Cai Mep – Thi Vai ports (million tons)



Source: General Statistics Department of Ba Ria – Vung Tau, KB Securities Vietnam

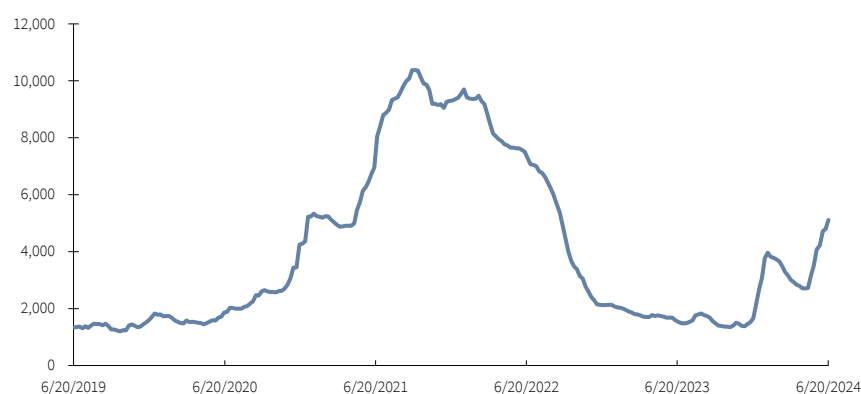
After cooling down at the beginning of the year, freight prices have reversed and increased sharply since the end of April

According to the Drewry world container index, spot freight rates after a sharp increase at the end of 2023 have cooled down, and the index fell to an average of USD2,706/40ft in April 2024, on par with the 10-year average. World freight rates have bounced back since the end of April due to the simultaneous impact of many factors: (1) the Red Sea crisis, after a long period of time, has begun to cause congestion at many major ports. The situation at Asian ports is at its peak after the pandemic, and the risk of supply chain disruption and container shortage is gradually becoming clearer. (2) The US sharply raised tariffs on a series of Chinese goods having an annual import turnover into the US reaching USD18 billion from this August. (3) Many shipping lines started applying general rate increases (GRI) for the peak season that comes earlier than usual.

After increasing sharply at the end of 2023 due to problems with two important transport routes through the Suez and Panama Canals, freight rates have cooled since the end of January as carriers have adapted to the new normal of industry. The Drewry WCU returned to 2,706 in April, lower than the level of USD3,964/40ft at the beginning of the year but still higher than the COVID pandemic at USD1,800 – 2,000/40ft.

World freight rates have reversed since the end of April and spiked until now. The Drewry WCI has increased to USD5,117/ft (x2 YTD) although it is still much lower than the Covid peak of USD10,378/40ft.

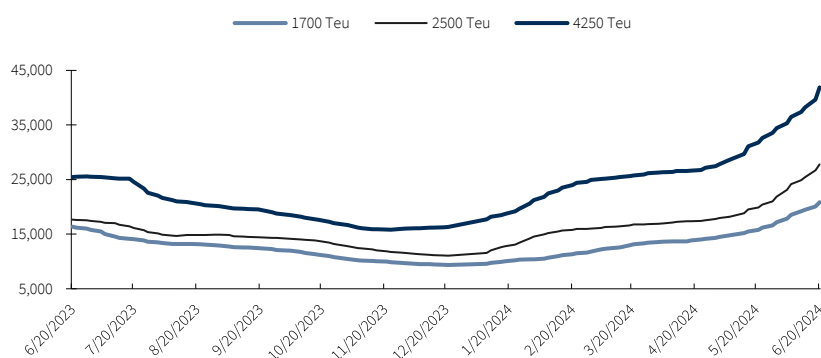
Fig 5. Global – Drewry World container index (USD/40ft)



Source: Drewry

The increase in spot freight rates led to a recovery in the rates of time-lease contracts due to increasing demand for ships. Time charter rates have maintained a stable growth rate since the beginning of 2024 with a stronger increase in large vessels.

Fig 6. Global – Haper Petersen charter rate index for small vessels (USD/day)



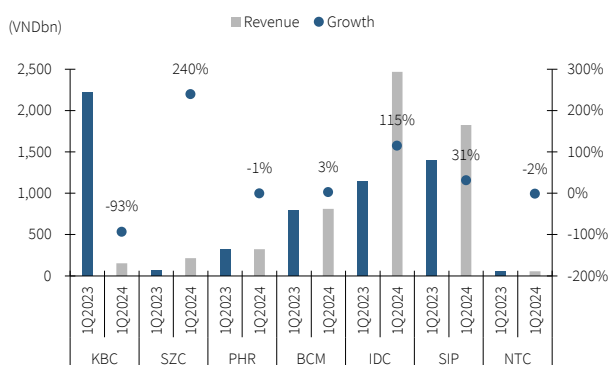
Source: Bloomberg

1Q24 business results of port and shipping enterprises are mixed

Most container ports and ocean shipping enterprises have positive business growth compared to the same period in 2023 thanks to a strong recovery in output. However, the profits of these enterprises are different.

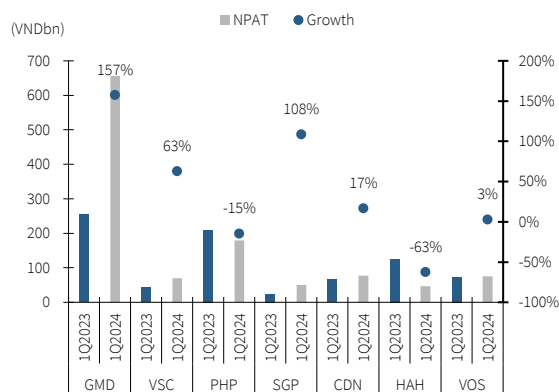
- Most container ports have raised the rates of seaport services earlier this year by 5-10%, depending on the service and the region, leading to improved gross margin and NPAT. Meanwhile, Port of Hai Phong (PHP) was the only exception with 1Q23 recording extra income from vessel collision compensation (NPAT growth excluding compensation reached more than 60% YoY).
- NPAT of the shipping lines were not positive as revenue. Although transport output improved significantly compared to the same period in 2023, freight rates decreased YoY, and many high-priced charter ships had their contracts expired in 2023, leading to profit margins of these businesses plunge YoY (from around 15% in 1Q23 to more than 6% in 1Q24).

Fig 7. Vietnam – Revenue growth of container ports & shipping companies (%)



Source: Logistics companies, KB Securities Vietnam

Fig 8. Vietnam – NPAT growth of container ports & shipping companies (%)



Source: Logistics companies, KB Securities Vietnam

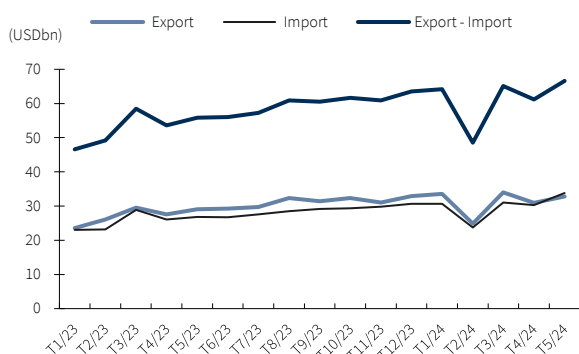
II. Business outlook for 2H24

The total port throughput should maintain positive growth until the end of the year

The total cargo port throughput is expected to remain at a positive level from now until the end of the year and grow 7–9% YoY, based on the following factors:

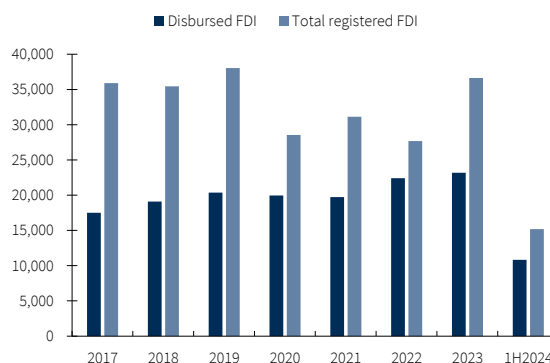
- Import-export turnover should remain high until the end of the year thanks to the recovery of consumer demand in major markets such as the US, EU and China. This is reflected through: (1) The inventory index in the US is increasing, showing the need to increase inventory in this country and the start of the peak season of stockpiling goods for the end of the year. This will boost international trade. (2) The importation of raw materials in 5M24 gained 5.1% YoY, partly reflecting the increase in orders until the end of the year.
- FDI capital is also on the rise again with Vietnam participating in many trade agreements and signing bilateral cooperation documents with Korea, the US and China recently, showing the potential of international trade in coming time.
- The state is actively supporting the logistics industry in terms of investment disbursement and expansion of major ports across the country. Currently, projects to upgrade infrastructure and maritime channels in key areas such as Hai Phong and Cai Mep – Thi Vai ports are positively progressing. Once completed, they will help businesses increase their competitive advantage to attract many partners and optimize business capacity.
- The current congestion at major ports like Singapore port has caused many shipping lines to change their routes and enter neighboring ports instead of having to wait four to seven days to enter Singapore port. If the congestion is not resolved soon, it will attract more new shipping lines to our country's seaports, especially the Cai Mep – Thi Vai transshipment port area, positively impacting the domestic seaport industry in general.

Fig 9. Vietnam – Import-export turnover in 2023 (USDbn)



Source: General Statistics Office, KB Securities Vietnam

Fig 10. Vietnam – Newly registered & disbursed FDI (USDmn)



Source: General Statistics Office, KB Securities Vietnam

Freight rates should stay high until at least 3Q24

Shipping freight rates are expected to remain high this year despite being lower than the peak during the Covid pandemic. The increase will last at least until 3Q24 due to the combined impact of many factors, originating from the crisis at the Red Sea:

- The Red Sea crisis lasts longer than expected and has no end in sight, directly affecting the world logistics as up to 10% of international trade goods (of which container goods account for 20%) go through there.
- Congestion at many major ports was triggered by: (1) The US increased imports of goods from China before Chinese goods are subject to additional import taxes from next August. (2) Concerns about freight rates escalating in the long term. The peak season of preparing goods for the end of the year has started earlier than usual, increasing the flow of trade goods from now until the end of the year.

Long voyages, congestion at ports and rapidly increasing demand raised the risk of supply chain disruptions and empty container shortages, continuing to push container freight rates up until the above issues are solved.

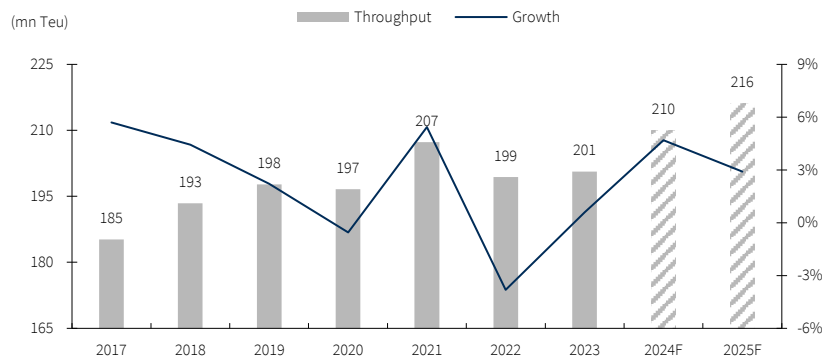
We expect the profits of logistics companies to have bottomed out by the end of 2023 and 1Q24, and the growth outlook will be more positive towards the end of the year.

- Transport output will remain high thanks to (1) recovering global consumer demand and (2) stockpiling activities for this year's peak season taking place earlier than usual.
- Regarding spot freight rates, the increase from the end of April is expected to continue due to increased demand for vessels over concerns about the supply chain crisis, causing prices in the ship charter market to follow the uptrend. Transport routes that pass through the Red Sea will have a significant increase due to direct impacts, the increase will be smaller on domestic routes and routes that do not pass through the Red Sea due to only indirect impacts from higher demand for ships.

In the long term, the logistics market is expected to cool down as soon as the Red Sea crisis ends due to the cumulative impact of: (1) inventory in major markets increase rapidly during the supply chain crisis; and (2) concerns about oversupply of ships clearly return as demand decline while newly ordered ships are continuously put into operation.

The prolonged Red Sea crisis and the congestion at major ports will support stock prices in the near future. However, we assess that these positive effects are only short-term. Investors should monitor the logistics market fluctuations during this time and consider investing in stocks with good fundamentals and large fleets such as Hai An Transport & Stevedoring (HAH) and Viet Nam Ocean Shipping (VOS) when they reach attractive valuations.

Fig 11. Global – Total container output (million TEUs)

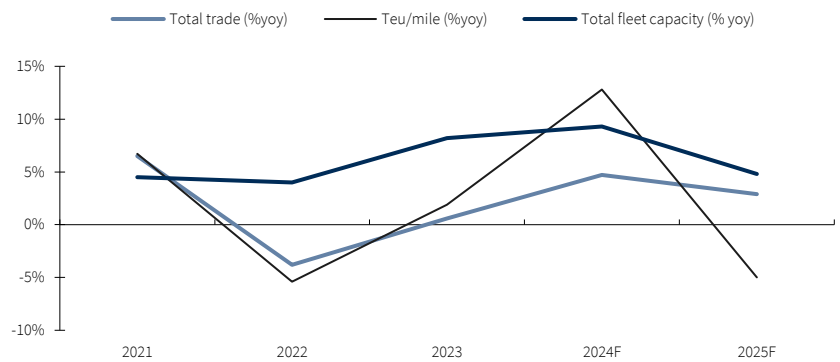


Source: Clarksons Research

Fig 22. Global – Container supply & demand growth (% YoY)

The total tonnage of new vessels built in 2024 and 2025 will be 2.7 million TEUs (+9%) and 1.9 million TEUs (+5%), respectively. The number of new vessels expected to be delivered in 2026 currently has a total tonnage of up to 2.1 million TEUs.

With the forecast growth rate of container output/ mile in 2024 being 12.8% YoY, the ship tonnage growth rate of 9.3% YoY has partly met the strong increase in sea transport demand this year. However, the shipping market is expected to witness a serious surplus of ships from 2025 when TEU/mile growth drops to -5% YoY, and ship tonnage growth remains at 4.8% YoY.

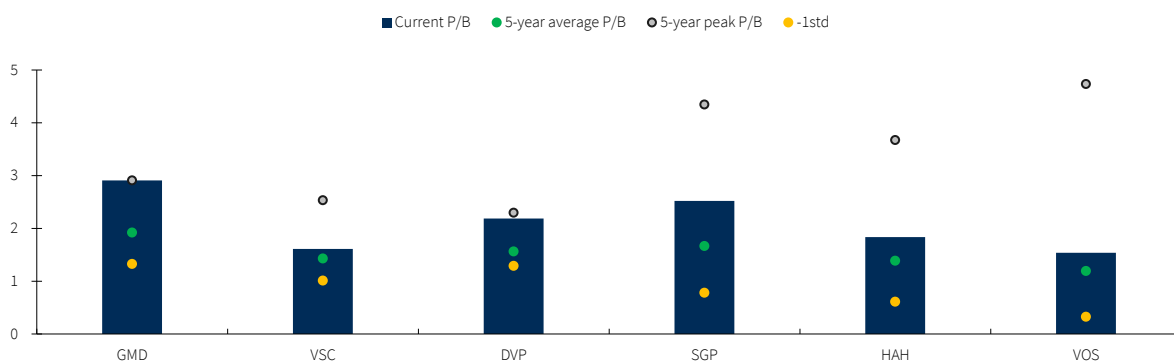


Source: Clarksons Research

We maintain a positive rating for container port stocks

Regarding container ports, we assess that business results in the coming time will continue to remain at a positive level as in the first half of the year thanks to the recovery from both freight rate and output. However, after the recent sustainable increase, we assess that port stock prices have fully reflected the future prospects of the business and are all trading at a P/B higher than the five-year average P/B. Investors can consider long-term investments in logistics stocks with good growth potential such as Gemadept (GMD), Viconship (VSC), Saigon Port (SGP), and PHP when stock prices adjust to better valuation levels.

Fig 13. Vietnam - P/B of logistics companies (x)



Source: Bloomberg, KB Securities Vietnam



Companies

Gemadept (GMD)

Hai An Transport (HAH)

Gemadept (GMD)

Southern ports strongly rebound

June 10, 2024

Analyst Nguyen Ngoc Anh
anhntrn@kbsec.com.vn

1Q NPAT hit VND656 billion (+157% YoY) on revenue of VND1,006 billion (+11% YoY)

Gemadept Corporation (GMD) posted VND1,006 billion in 1Q revenue (+11% YoY), completing 25% of the guidance. Of that, core business of port operation contributed VND843 billion (+29% YoY). 1Q NPAT rose 157% YoY to VND656 billion after the company recorded an extra profit of more than VND335 billion from the Nam Hai Port divestment deal in the quarter.

GMD total throughput should reach 3.3 – 3.5 million TEUs this year (+10–12% YoY)

The total port throughput of the entire GMD port system in 2024 is expected to grow 10–12% YoY with (1) positive prospects of import and export activities until the end of the year; (2) new routes continuously being deployed; and (3) improved port operating capacity of GMD.

Service charges in the Northern and Southern ports of GMD should rise 5% and 7–10% YoY respectively

In 1Q, GMD raised service charges by 3–10% across the system. With the Circular 39/2023/TT-BGTVT on adjusting the seaport service fee framework effective from February 15, 2024, GMD's room for increasing seaport rates has been expanded. Service charges in the North and South of GMD should grow 5% and 7–10% respectively compared to the 2023 average.

Valuation: BUY rating – Target price VND100,600/share

Based on prospects and valuation results of the business, we gave a BUY rating to GMD with a price target of VND100,600, 15.8% higher than the closing price on June 10, 2024.

Buy maintain

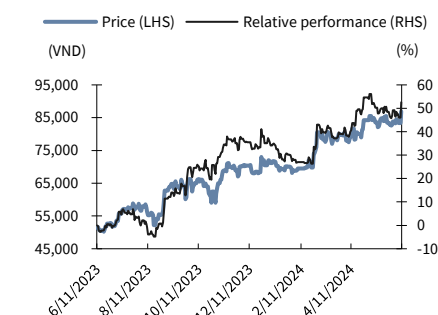
Target price	VND100,600
Upside	15.8%
Current price (Jun 10, 2024)	VND86,900
Consensus target price	VND88,600
Market cap (VNDtn/USDbn)	27.0/1.1

Trading data	
Free float	97.5%
3M avg trading value (VNDbn/USDmn)	148.6/5.9
Foreign ownership	47.5%
Major shareholder	SSJ Consulting (9.6%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	-2	4	18	67
Relative	-5	3	3	43

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	3,898	3,846	4,132	4,511
Operating income/loss (VNDbn)	1,309	3,160	1,969	1,914
NPAT-MI (VNDbn)	994	2,222	1,490	1,513
EPS (VND)	3,034	7,119	4,869	4,872
EPS growth (%)	62%	135%	-32%	0%
P/E (x)	28.6	12.2	17.8	17.8
P/B (x)	3.3	2.7	2.6	1.9
ROE (%)	15%	26%	16%	12%
Dividend yield (%)	2%	3%	2%	2%



Source: Bloomberg, KB Securities Vietnam

Hai An Transport (HAH)

Bouncing back towards year-end

June 19, 2024

Analyst Nguyen Ngoc Anh
anhntrn@kbsec.com.vn

1Q revenue and NPAT reached VND704 billion (+7% YoY) and VND47 billion (-63% YoY)

In 1Q24, Hai An Transport & Stevedoring (HAH) achieved net revenue of VND704 billion (+7% YoY). Revenue growth was recorded in both port and ship operations. However, 1Q sea freight rates dropped sharply, new charter contracts were signed with much lower rates, and GPM fell to only 5%. NPAT reached VND47 billion (-63% YoY), completing 16% of the whole-year target.

HAH freight rates should gain 15% YoY, following the global uptrend

HAH's domestic and intra-Asia rates have now been adjusted up 10% YoY. It is expected that the freight rates will continue to increase towards the end of the year, and the average price in 2024 is 15% higher than the 2023's over concerns about the risk of shortage of containers and high demand for vessels globally.

HAH's total ship output in 2024 is expected to increase 15-20% YoY to 525,000 TEUs

HAH's ship output is expected to recover strongly compared to 2023. We expect total transport output in 2024 to reach more than 525,000 TEUs (+20% YoY) thanks to: (1) recovery in transport demand, (2) the emergence and expansion of shipping routes, and (3) HAH's three new ships in 2024.

Valuation: BUY rating – Target price VND51,700/share

Based on business prospects and valuation, we recommend BUY for HAH stock with a price target of VND51,700/share, equivalent to a return of 20% compared to the closing price on June 19, 2024.

Buy maintain

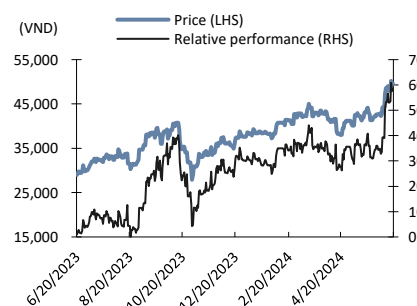
Target price	VND51,700
Upside	20%
Current price (Jun 19, 2024)	VND43,100
Consensus target price	VND40,400
Market cap (VNDtn/USDbn)	5.1/0.2

Trading data	
Free float	50.8%
3M avg trading value (VNDbn/USDmn)	167.6/6.6
Foreign ownership	10.4%
Major shareholder	Hai Ha Investment & Transport (15.22%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	12.6	15.5	33.2	70.9
Relative	12.4	13.9	16.9	55.7

Forecast earnings & valuation

FY-end	2022	2023	2024F	2025F
Net revenue (VNDbn)	3,206	2,613	3,199	3,841
Operating income/loss (VNDbn)	1,300	447	562	684
NPAT-MI (VNDbn)	822	385	375	461
EPS (VND)	11,306	3,315	3,093	3,799
EPS growth (%)	82%	-71%	-7%	23%
P/E (x)	2.9	13.0	13.9	11.3
P/B (x)	1.7	1.1	1.7	1.5
ROE (%)	36%	11%	12%	13%
Dividend yield (%)	1.3%	0.2%	2.1%	1.0%



Source: Bloomberg, KB Securities Vietnam

KB SECURITIES VIETNAM RESEARCH

Nguyen Xuan Binh – Head of Research

binhnx@kbsec.com.vn

Banks, Insurance & Securities

Nguyen Anh Tung – Manager

tungna@kbsec.com.vn

Pham Phuong Linh – Analyst

linhpp@kbsec.com.vn

Real Estate, Construction & Materials

Pham Hoang Bao Nga – Manager

ngaphb@kbsec.com.vn

Nguyen Duong Nguyen – Analyst

nguyennd1@kbsec.com.vn

Retails & Consumers

Nguyen Truong Giang – Analyst

giangnt1@kbsec.com.vn

Industrial Real Estate, Logistics

Nguyen Thi Ngoc Anh – Analyst

anhntn@kbsec.com.vn

Oil & Gas, Chemicals

Pham Minh Hieu – Analyst

hieupm@kbsec.com.vn

Research Division

research@kbsec.com.vn

Macro & Strategy

Tran Duc Anh – Head of Macro & Strategy

anhtd@kbsec.com.vn

Vu Thu Uyen – Analyst

uyenvt@kbsec.com.vn

Nghiem Sy Tien – Analyst

tienns@kbsec.com.vn

Nguyen Dinh Thuan – Analyst

thuannd@kbsec.com.vn

Support team

Nguyen Cam Tho – Assistant

thonc@kbsec.com.vn

Nguyen Thi Huong – Assistant

huongnt3@kbsec.com.vn

KB SECURITIES VIETNAM (KBSV)

Head Office:

Levels 16&17, Tower 2, Capital Place, 29 Lieu Giai Street, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7303 5333 – Fax: (+84) 24 3776 5928

Hanoi Branch:

Level 1, VP Building, 5 Dien Bien Phu, Ba Dinh District, Hanoi, Vietnam

Tel: (+84) 24 7305 3335 – Fax: (+84) 24 3822 3131

Ho Chi Minh Branch:

Level 2, TNR Tower Nguyen Cong Tru, 180–192 Nguyen Cong Tru Street, District 1, HCMC, Vietnam

Tel: (+84) 28 7303 5333 – Fax: (+84) 28 3914 1969

Saigon Branch:

Level 1, Saigon Trade Center, 37 Ton Duc Thang, Ben Nghe Ward, District 1, HCMC, Vietnam

Tel: (+84) 28 7306 3338 – Fax: (+84) 28 3910 1611

CONTACT INFORMATION

Institutional Client Center: (+84) 28 7303 5333 – Ext: 2656

Private Customer Care Center: (+84) 24 7303 5333 – Ext: 2276

Email: ccc@kbsec.com.vn

Website: www.kbsec.com.vn

Investment ratings & definitions

Investment Ratings for Stocks

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

Buy:	Neutral:	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

Opinions in this report reflect the professional judgment of the research analyst(s) as of the date hereof and are based on information and data obtained from sources that KBSV considers reliable. KBSV makes no representation that the information and data are accurate or complete and the views presented in this report are subject to change without prior notification. Clients should independently consider their own particular circumstances and objectives and are solely responsible for their investment decisions and we shall not have liability for investments or results thereof. These materials are the copyright of KBSV and may not be reproduced, redistributed or modified without the prior written consent of KBSV. Comments and views in this report are of a general nature and intended for reference only and not authorized for use for any other purpose.