

Hai An Transport (HAH)

Focusing on fleet expansion

June 22, 2023

Analyst Nguyen Thi Ngoc Anh
anhntn@kbsec.com.vn

In 1Q23, HAH obtained NPAT of VND126 billion (-47% YoY) on revenue of VND655 billion (+0.5% YoY)

In 1Q23, Hai An Transport & Stevedoring (HAH) posted revenue of VND655 billion (+0.5% YoY), completing 22% of the 2023 guided target. Flat YoY revenue amid falling transportation costs was due to the company's new container routes and two charter contracts signed in the quarter. HAH's 1Q23 NPAT was VND126 billion (-47% YoY), achieving 26% of the objective.

Freight rates should slow their downtrend and move sideways, and charter rates should recover slightly in 2H23

Freight rates have kept falling but are still 8% higher than the 2019 median, and the rate of decrease has slowed. We expect freight rates to keep their slow downtrend and sit at pre-covid levels. Charter rates could have bottomed out in the first quarter and should improve in the second half of the year.

HAH is ordering three new ships with a total estimated expense of VND2,000 billion

HAH owns an 11-ship fleet with a total capacity of nearly 16,000 TEUs. It ordered three new 1,700 TEU Bangkok Mark ships to expand the fleet. HAH should get the first newly built ship this coming October.

The container port in Cai Mep will be the first South-based logistics facility of HAH

HAH's container port project in Cai Mep has now completed land-related procedures and demining, and the company is conducting site clearance. Its future operation will contribute to perfecting HAH's logistics chain.

We recommend BUY for HAH with a target price of VND55,000/share

Based on the business outlook and valuation result, we recommend BUY for HAH with a target price of VND55,000/share, equivalent to a return of 23% versus the closing price on June 22, 2023.

Buy update

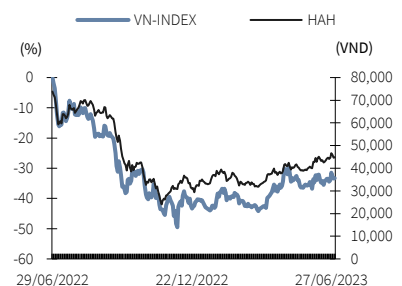
Target price	VND 55,000
Upside	23%
Current price (Jun 22, 2023)	VND 44,650
Consensus target price	VND 51,640
Market cap (VNDbn/USDmn)	3,141/133

Trading data	
Free float	75%
3M avg trading value (VNDbn/USDbn)	69,997/2.96
Foreign ownership	5.25%
Major shareholder	Hai Ha Investment & Transport (14.5%)

Share price performance				
(%)	1M	3M	6M	12M
Absolute	11	33	44	-39
Relative	7	27	34	-33

Forecast earnings & valuation

FY-end	2021A	2022A	2023F	2024F
Net revenue (VNDbn)	1,955	3,206	2,952	2,971
EBIT (VNDbn)	642	1,300	566	706
NPAT of parent company (VNDbn)	446	822	395	492
EPS (VND)	8,750	11,306	5,620	7,001
EPS growth (%)	220%	29%	-50%	25%
P/E (x)	3.7	3.9	7.9	6.4
P/B (x)	1.7	0.8	1.2	1.0
ROE (%)	28.9%	36.1%	14.3%	15.6%
Dividend yield (%)	2%	2%	0%	0%



Source: Bloomberg, KB Securities Vietnam

Business performance

Table 1. HAH – 1Q22–1Q23 business results

(VNDbn)	1Q2022	1Q2023	%YoY	Comments
Net revenue	652	655	+0.5%	Completed 22% of 2023 guided target of VND2,960 billion
-Port operation	74	65	-12%	Hai An port underwent repair and upgrade from 3Q22 to 2Q23
-Ship operation	636	658	+1%	There are two more new ships compared to the same period last year (HAIAN City and HAIAN Rose). Freight rates decreased, however, HAH signed a short-term charter contract for HAIAN Bell and HAIAN Rose.
Gross profit	340	192	-43%	Freight rates declined but additional cost increased (HAH chartered Tan Cang's TC Symphony)
Gross profit margin	52%	29%	-23ppts	
Financial income	4	5	+25%	Due to interest expense from loan to purchase vessels in 2022
Financial expense	10	21	+110%	
SG&A	24	30	+25%	A depressed market dampened business results of associates
Shared profits from associates	10	4	-60%	
Profit before tax	320	153	-52%	
NPAT	263	126	-47%	Completed 26% of 2023 guided target of VND491 billion

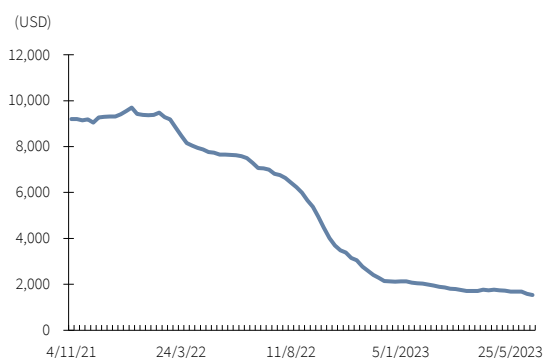
Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Freight rates are expected to sit at pre-covid levels; charter rates should recover slightly in 2H23

The Drewry World Container Index fell another 3.5% last week to below 79%, lower than the same period in 2022. However, it is still 8% above the 2019 median. We expect the freight rates to slow their reduction in the second half of the year, maintaining the freight rate as during pre-Covid period. HAH's transport volume should be flat YoY despite weak demand. Import-export turnover has not shown any signs of recovery due to: (1) HAH's domestic market share stability and (2) the new container routes expected to offset the reduced volume on the existing routes.

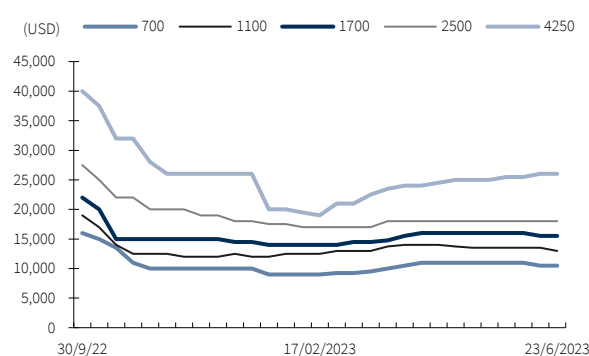
The charter rates are expected to have bottomed in February 2023, and have recovered 15 to 20%. The global median rent for a 1,700 TEU ship, which accounts for the majority of HAH's fleet, is about USD15,500/day. We expect the charter market to improve in 2H23.

Fig 2. Drewry World Container Index (USD/40ft)



Source: Drewry

Fig 3. Global – Charter rates (USD/day)



Source: Harper Petersen & Co

HAH focuses on expanding its fleet over the next two years, boosting both ship leasing and opening new routes for self-operated vessels

HAH now has an 11-ship fleet with a total capacity of nearly 16,000 TEUs, of which six are for lease, four are self-operated, and one is to the Zim – Hai An joint venture. HAH is ordering three more 1,800 TEU Bangkok Mark IV with an estimated expense of about VND2,000 billion. HAH should get the first newly built ship this coming October and the remaining two vessels in 2024.

– Regarding ship leasing, it remains profitable even in the context of low rents, bringing in a recurring USD flow for HAH to pay off debts. Except for the long-term contracts with high ship rents signed in late 2021 and early 2022, HAH continues to sign short-term leasing contracts from three to five months given low charter rates, making a significant contribution to the overall revenue and profit of the business, especially when the shipping market is sagging, causing the self-operated fleet's revenue to decline. HAH also has many strategies to promote leasing activities such as: (1) cooperating with large shipping lines to ensure the continuity of the contract, (2) adding conditions to alternate ships when ships under lease need periodic maintenance and repair, (3) powering the fleet through international registration as well as using fuel meeting international standards.

– In terms of self-operated container shipping, HAH opened two new routes in 1Q23: Hai Phong – Chan May – Ho Chi Minh City and Hai Phong – Ho Chi Minh City – Port Kelang – Ho Chi Minh – Hai Phong. The company plans to open more international routes and operate new intra-Asia routes with Zim – Hai An to increase its coverage in the Northeast Asian markets in the coming years, thus boosting shipping volume.

Table 4. HAH's fleet

Operation year	Name	Max capacity (TEUs)	Years old (by 2022)	Built in	Liquidation date
Jun 2014	HAIAN PARK	787	21	2001 Ba Lan	
Oct 2014	HAIAN SONG	1,121			January 2021
Oct 2015	HAIAN TIME	1,032	21	2001	
May 2017	HAIAN BELL	1,200	19	2003 in Germany	
Jun 2017	HAIAN FAIR	1,688		2007 in Germany	March 2018
Nov 2018	HAIAN LINK	1,060	12	2010 in Japan	
May 2019	HAIAN MIND	1,794	10	2012 in Quang Ninh, Vietnam	
Jul 2020	HAIAN VIEW	1,577	13	2009 in Japan	
Apr 2021	HAIAN EAST	1,702	14	2008 in Germany	
May 2021	HAIAN WEST	1,740	14	2008 in China	
Apr 2022	HAIAN CITY	1,577	14	2008 in Japan	
Nov 2022	HAIAN ROSE	1,708	14	2008 in Japan	
Apr 2022	ANBIEN Bay (An Bien Lines')	1,794	14	2008 in Japan	

Source: Hai An Transport & Stevedoring, KB Securities Vietnam
(red – sold one, grey – leased one, blue – Lotus Link train)

The container port in Cai Mep will be the first South-based logistics facility of HAH

At the end of 2022, Vung Tau province approved the adjustment for the investment license of HAH's container port project in Cai Mep, adding it to the provincial inland waterway port planning. HAH has completed demining for 31 ha of land and an additional 6.7 ha of surface water and is conducting site clearance. Once completed, the container port in Cai Mep will be HAH's first South-based logistics facility, serving the needs of the company's own fleet and contributing to perfecting HAH's logistics chain.

HAH is facing the common risks of the container shipping industry: (1) possible ship oversupply in 2023-2025 amid currently weak transport demand and (2) regulations to minimize carbon emissions

The current container shipping service providers in general and HAH in particular are facing the following difficulties: (1) the demand for sea transport services has dropped sharply among major markets due to weakening purchasing power amid economic headwinds; (2) orders for new container ships in the past 10 quarters increased to a record 7.54 million TEUs, causing oversupply pressure and increased competition; and (3) regulations to reduce carbon emissions introduced by the International Maritime Organization (IMO) will deliver a blow to companies with many old vessels. However, with the advantage of owning a young fleet, we expect HAH to be less affected by carbon emission reduction regulations versus other shipping lines.

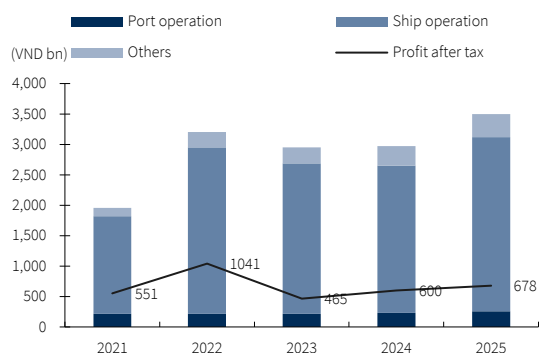
HAH plans to pay a 50% stock dividend for FY22

At the last general meeting of shareholders, the plan to pay a 50% stock dividend for FY22 was approved. Given HAH’s 70,344,667 shares outstanding, the company should issue an additional 35,172,333 shares. The enterprise also plans to pay a 20% dividend for FY23 (10% in cash and 10% by shares).

HAH plans to issue private convertible bonds worth VND500 billion in 2023 or 2024

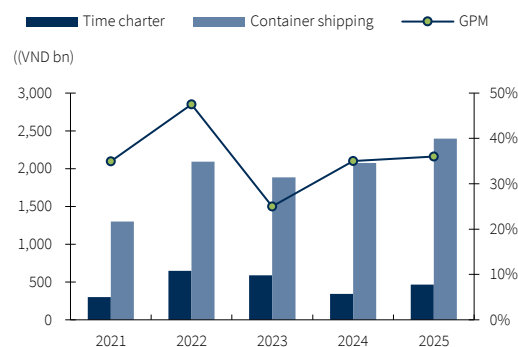
HAH plans to issue 500 convertible bonds worth VND500 billion, with a face value expected at VND1 billion each. The term is 4 to 5 years, and the maximum fixed coupon rate is 6%/year. Proceeds from the issuance of corporate bonds should be invested in the fleet expansion.

Fig 5. HAH – Revenue breakdown & gross profit (VNDbn, %)



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Fig 6. HAH – 2021A-2025F business results



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Forecast & Valuation

Table 7. HAH – 2022A–2023F business results

(VNDbn)	2022A	2023F	%YoY	Comments
Net revenue	3,206	2,952	-8%	Completed HAH's 2023 guided net revenue
- Port operation	214	215	+0.5%	Port service charges remained stable, stevedoring and depot volumes maintained growth thanks to HAH's new container routes.
- Ship operation	2,740	2,472	-10%	Freight rates and ship rents were both reduced, new ship leasing contracts are signed with low rents ranging from USD12–15,000/day. Therefore, we lower our ship operating revenue projection as sea freight rates have not shown any signs of recovery and ship rents are lower than expected.
Gross profit	1,422	757	-47%	Sea freight rates and container shipping volume both decreased while outsourcing costs increased.
Gross profit margin	44%	26%	-18ppts	Given low freight rates as well as longer-than-expected port repair activities, we lower our previous forecast for gross margin of vessel operation from 35% to 30 and port operation from 45% to 40%.
Financial income	39	34	-13%	
Financial expense	74	146	+97%	HAH had to pay interest expense on the loan to purchase two ships in 2022.
SG&A	114	105	-8%	
Shared profits from associates	29	27	-7%	Zim - Hai An joint venture is expected to experience losses at least until 3Q23, and profits from leasing ANBIEN Bay with high rent should partly offset low shared profit.
Profit before tax	1,272	569	-55%	
NPAT	1,041	465	-55%	Completed 95% of HAH's 2023 guided NPAT

Source: Hai An Transport & Stevedoring, KB Securities Vietnam

We recommend BUY for HAH with a target price of VND55,000/share

Given the actual facts of the international container shipping market, HAH's existing advantages as well as its prospects, we anticipate HAH's 2023F gross margin to drop sharply to 26% from 44% in 2022 and revenue to reach VND2,952 billion (-8% YoY).

- Except for ANBIEN Bay under lease until 2025, the two ship leasing contracts with high rates will expire in September and November this year, and the remainders will come to an end in the second quarter.

- We expect the container handling service cost will move sideways, stevedoring and depot volumes will improve slightly due to the growing number of self-operated ships with stops at HAH's ports.

- Three ships should be under lease every year (based on the total number of charter days of all vessels under lease).

Based on the discounted cash flow (DCF) method, we recommend BUY for HAH with a target price of VND55,000/share, equivalent to a return of 23% vs. the closing price on June 22, 2023.

Table 8. HAH – Model assumptions

Model assumptions	Value
Required rate of return	13.9%
Risk-free rate	5%
Market risk premium	8%
Beta	1.1
Terminal growth	3.4%

Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Table 9. HAH – Valuation result

HAH's valuation (VNDbn)	3,871
Outstanding shares	70,344,667
Target price (VND/share)	55,000
Current price (June 22, 2023)	44,650
Total shareholder return	23.2%

Source: Hai An Transport & Stevedoring, KB Securities Vietnam

HAH – 2021A–2024F financials

Income Statement

(VND billion)	2021	2022	2023F	2024F
Net sales	1,955	3,206	2,952	2,971
Cost of sales	1,241	1,784	2,195	1,935
Gross Profit	714	1,422	757	1,036
Financial income	26	39	34	34
Financial expenses	33	76	147	264
of which: interest expenses	32	57	147	264
Gain/(loss) from joint ventures	19	29	27	31
Selling expenses	0	0	0	0
General and admin expenses	85	114	105	105
Operating profit/(loss)	642	1,300	566	732
Other incomes	23	6	0	0
Other expenses	3	33	0	0
Net other income/(expenses)	20	-27	2	2
Net accounting profit/(loss) before tax	662	1,272	569	734
Corporate income tax expenses	112	232	103	134
Net profit/(loss) after tax	551	1,041	465	600
Minority interests	105	219	70	90
Attributable to parent company	446	822	395	510

Margin ratio

(%)	2021	2022	2023F	2024F
Gross profit margin	36.5%	44.4%	25.6%	34.9%
EBITDA margin	51.3%	54.4%	40.7%	51.8%
EBIT margin	35.5%	41.5%	24.3%	33.6%
Pre-tax profit margin	33.9%	39.7%	19.3%	24.7%
Operating profit margin	32.8%	40.5%	19.2%	24.6%
Net profit margin	22.8%	25.6%	13.4%	17.2%

Cash Flow Statement

(VND billion)	2021	2022	2023F	2024F
Net profit/(loss) before tax	662	1,272	569	734
Depreciation and amortisation	164	278	268	309
Profit/loss from investing activities	40	25	0	0
Interest expense	32	57	147	264
Operating profit/(loss) before changes in Working Capital	818	1,596	984	1,307
(Increase)/decrease in receivables	-93	-322	50	-6
(Increase)/decrease in inventories	-3	-30	-13	11
Increase/(decrease) in payables	210	333	-13	-24
(Increase)/decrease in prepaid expenses	-11	-8	12	-6
Interest expense	-6	-10	0	0
Net cash inflows/(outflows) from operating activities	790	1,295	902	826
Purchases of fixed assets and other long term assets	-620	-1,604	-1,292	-1,896
Proceeds from disposal of fixed assets	53	0	0	0
Loans granted, purchases of debt instruments	-69	-430	0	0
Collection of loans, proceeds from sales of debts instruments	45	364	0	0
Investments in other entities	-78	-17	0	0
Proceeds from divestment in other entities	0	0	0	0
Dividends and interest received	20	25	0	0
Net cash inflows/(outflows) from investing activities	-650	-1,661	-1,292	-1,896
Proceeds from issue of shares	99	20	0	0
Payments for share returns and repurchases	0	0	0	0
Proceeds from borrowings	287	716	785	1,190
Repayment of borrowings	-175	-293	-318	0
Finance lease principal payments	-20	-76	0	0
Dividends paid	-67	-69	-93	-120
Interests, dividends, profits received	0	0	0	0
Net cash inflows/(outflows) from financing activities	124	299	374	1,070
Net increase in cash and cash equivalents	264	-67	-15	0
Cash and cash equivalents at the beginning of period	221	485	415	400
Cash and cash equivalents at the end of period	485	415	400	400

Balance Sheet

(VND billion)	2021	2022	2023F	2024F
TOTAL ASSETS	3,232	5,049	5,978	7,560
CURRENT ASSETS	1,287	1,745	1,648	1,644
Cash and cash equivalents	485	415	400	400
Short-term investments	87	140	140	140
Accounts receivable	633	979	928	934
Inventories	48	78	91	80
LONG-TERM ASSETS	1,945	3,305	4,329	5,916
Long-term trade receivables	0	113	113	113
Fixed assets	1,536	2,744	3,769	5,355
Long-term incomplete assets	7	45	45	45
Long-term investments	148	140	140	140
Goodwill	0	0	0	0
LIABILITIES	1,330	2,162	2,718	3,820
Current liabilities	621	910	1,156	1,306
Trade accounts payable	79	148	136	112
Short-term unrealized revenue	15	12	0	0
Short-term borrowings	234	318	475	713
Long-term liabilities	710	1,252	1,562	2,515
Long-term trade payables	0	0	0	0
Long-term advances from customers	0	0	0	0
Unrealized revenue	0	0	0	0
Long-term borrowings	559	1,004	1,315	2,267
OWNER'S EQUITY	1,902	2,887	3,259	3,739
Paid-in capital	488	703	703	703
Share premium	192	192	192	192
Undistributed earnings	592	1,025	1,397	1,878
Other funds	0	0	0	0
Minority interests	0	0	0	0

Key ratios

(x % VND)	2021	2022	2023F	2024F
Multiple				
P/E	3.7	3.9	7.9	6.2
P/E diluted	3.7	3.9	7.9	6.2
P/B	1.7	0.8	1.6	1.4
P/S	1.7	0.7	1.7	1.7
P/Tangible Book	1.7	0.8	1.6	1.4
P/Cash Flow	4.2	1.8	5.6	6.2
EV/EBITDA	3.5	1.3	4.2	3.5
EV/EBIT	4.8	1.7	7.1	5.1
Operating performance				
ROE	28.9%	36.1%	14.3%	16.1%
ROA	17.0%	20.6%	7.8%	7.9%
ROIC	29.4%	32.9%	14.6%	15.2%
Financial structure				
Cash Ratio	92.2%	61.0%	46.7%	41.4%
Quick Ratio	76.9%	111.0%	105.0%	101.9%
Current Ratio	194.2%	168.5%	127.0%	112.9%
LT Debt/Equity	29.4%	34.8%	40.3%	60.6%
LT Debt/Total Assets	17.3%	19.9%	22.0%	30.0%
ST Debt/Equity	12.3%	11.0%	14.6%	19.1%
ST Debt/Total Assets	7.2%	6.3%	7.9%	9.4%
ST Liabilities/Equity	32.6%	31.5%	35.5%	34.9%
ST Liabilities/Total Assets	19.2%	18.0%	19.3%	17.3%
Total Liabilities/Equity	69.9%	74.9%	83.4%	102.2%
Total Liabilities/Total Assets	41.2%	42.8%	45.5%	50.5%
Activity ratios				
Account Receivable Turnover	5.1	3.3	3.2	3.2
Inventory Turnover	25.6	22.7	24.1	24.1
Account Payable Turnover	15.1	16.0	15.5	15.5

Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Nguyen Xuan Binh – Head of Research
binhnx@kbsec.com.vn

Equity

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 – Senior Analyst
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

Information Technology, Utilities

Nguyen Dinh Thuan – Analyst
thuannd@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

Macroeconomics & Banks

Ho Duc Thanh – Analyst
thanhhd@kbsec.com.vn

Vu Thu Uyen – Analyst
uyenvt@kbsec.com.vn

Strategy, Investment Themes

Thai Huu Cong – Analyst
congth@kbsec.com.vn

Nghiem Sy Tien – Analyst
tienss@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:	Hold:	Sell:
+15% or more	+15% to -15%	-15% or more

Investment Ratings for Sectors

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

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

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.