

Hai An Transport (HAH)

Expanding international routes

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4Q22 revenue reached VND845 billion, up 26% YoY

Hai An Transport and Stevedoring (HAH) recorded NPAT VND189.5 billion (-30% YoY) on revenue of VND845 billion (+26% YoY) in 4Q22. Full-year respective results are VND1,051 billion and VND3,205 billion, respectively exceeding 91% and 34% of 2022E targets. For 2023, HAH forecast its profit and revenue would respectively reduce 64% and 18% YoY to VND300 billion and VND2,631 billion.

HAH is has the largest container fleet in Vietnam

Currently, HAH owns 10 ships with a total capacity of more than 14,000 TEUs, or 34% of the nationwide container fleet capacity. HAH also ordered two new ships of 1,700-1,800 TEUs size which should be ready to use from early 2024.

HAH promotes operations in the international market

In 1H22, HAH opened two more direct routes to China: Hai Phong – Hongkong – Nansha – Hai Phong and Hai Phong – Qin Zhou. HAH's fleet for international routes operate at a frequency of three to four ships per week. In addition, HAH plans to establish a joint venture Zim – Hai An with a charter capital of USD2 million, which should start operating from 1Q23.

Spot rates and charter rates are in a prolonged downward trend, directly affecting domestic freight rates

Spot rates are declining, negatively affecting HAH's revenue from self-operated ships. In addition, it is unfavorable for HAH's rate negotiation for new leases as the current charter rate for a 1,700 TEU ship fell to USD14,000/day (down 65% compared to USD40,000/day that HAIAN Bien signed in April 2022).

HOLD recommendation with target price of VND38,400 apiece

Using the DCF model, we set a target price for HAH of VND38,400/share, 13.6% higher than the closing price of VND33,800/share on February 27, 2023.

Hold initiate

Target price VND38,400

Upside (%)	13.6
Current price (Feb 27, 2022)	33,800
Market cap (VNDbn)	2,377.65

Trading data

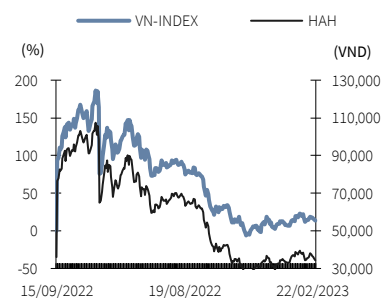
Free float	69%
3M avg trading value (VNDbn)	72,240
Foreign ownership	11.34
Major shareholder	Hai Ha Investment & Transport (12%)

Share price performance

(%)	1M	3M	6M	12M
Absolute	-44	-61	-51	0
Relative	-27	-44	-57	-19

Forecast earnings & valuation

FY-end	2021A	2022A	2023E	2024E
Net revenue (VNDbn)	1,955	3,206	2,557	2,338
Earnings (VNDbn)	714	1,422	771	811
Profit attributable to parent (VNDbn)	446	822	431	429
EPS (VND)	8,750	11,306	6,151	6,633
EPS growth (%)	220	29	-46	-1
P/E (x)	3.7	3.1	5.8	5.8
P/B (9x)	1.7	0.8	0.8	0.8
ROE (%)	28.9	36.1	15.4	13.7



Source: Bloomberg, KB Securities Vietnam

Overview

Hai An Transport and Unloading Joint Stock Company was established in 2009 on the basis of capital contribution of four units including: Joint Stock Company of Supply and Technical Services Marine, Hanoi Maritime Joint Stock Company, Hai An Shipbuilding and Repair Joint Stock Company and Hai Minh Joint Stock Company.

After more than 13 years of operation, HAH has so far established 9 member companies and branches in Hai Phong, Hanoi, Vung Tau and Ho Chi Minh City, operating mainly in the fields of loading and unloading and delivery, receiving, port services, water transport and other logistics activities.

Table 1. HAH – History of development

2009	<ul style="list-style-type: none"> Established Hai An Transport & Stevedoring and built the first container yard
2010	<ul style="list-style-type: none"> Established a subsidiary named Hai An Port, inaugurated Hai An Port
2012	<ul style="list-style-type: none"> Co-established Hai An Agency and Logistics and Hai An General Services
2013	<ul style="list-style-type: none"> Started deploying transportation services Hai Phong – Ho Chi Minh – Hai Phong
2014	<ul style="list-style-type: none"> Bought two first container ships, Hai An Park and Hai An Song
2015	<ul style="list-style-type: none"> 23,196,232 shares were listed on the HSX (Ticker: HAH)
2017	<ul style="list-style-type: none"> Become an agent for SM Line Corporation – Korea in Vietnam
2018	<ul style="list-style-type: none"> Co-established Pan – Hai An joint venture Built Pan – Hai An Logistics Center with a depot covering 80,000m²
2020	<ul style="list-style-type: none"> Upgrading Hai An wharf so that it could handle ships of 25,800 DWT Operated two CFS warehouses with a total area of 20,000m² in Pan – Hai An, Nam Dinh Vu Industrial Park
2022	<ul style="list-style-type: none"> Successfully received the 10th ship Hai An Rose Opened more intra-Asia routes: Hai Phong – Hong Kong – Nansha – Hai Phong and Hai Phong – Kham Chau – Hai Phong

Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Table 2. HAH – List of subsidiaries

	Companies	Relationship	Main business activities	Ownership as of December 31, 2022
1	Hai An Port Co., Ltd	Subsidiary	Port operation, loading and unloading services, forwarding, warehousing, road transportation	100%
2	Hai An Agency & Logistics Co., Ltd	Subsidiary's affiliate	Organization of coastal and ocean freight transport, shipping agency, logistics Inland waterway transportation, transportation support services	50%
3	Hai An General Services JSC	Subsidiary's affiliate	Road transport, loading and unloading, warehousing	68.03%
4	Hai An Container Transport Co., Ltd	Subsidiary	Shipping services Inland waterway transport	50.50%
5	Hai An Freight Forwarder	Affiliate	Shipping services (including vessel & crew chartering) Inland waterway transport Warehousing services	36.89%
6	Pan Hai An Co., Ltd	Subsidiary	Warehousing, container yard Inland waterway transport	51%
7	An Bien Container Transport	Subsidiary's affiliate (Hai An Container Transport's)	Transportation services	17.17%

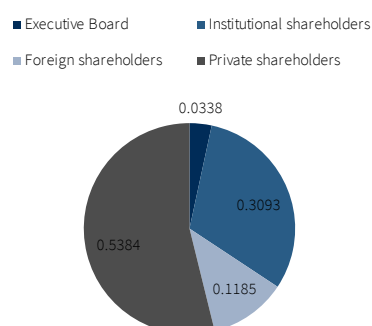
Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Ownership structure as of December 31, 2022

The ownership structure of HAH is quite fragmented. As of early December 2022, institutional shareholders owned 30.93% of HAH's charter capital, of which Hai Ha Transport and Investment held 11.08%. Sao A D.C Investment, after the mid-year divestment, increased its ownership to over 5% at the beginning of December 2022. Foreign investors and management held 11.85% and 3.38% stake, respectively, with the remaining 53% belonging to other shareholders.

The institutional shareholders are all domestic and foreign shipping companies or port service companies, creating a competitive advantage for HAH in enhancing its position in the domestic and international logistics market.

Fig 1. HAH – Ownership structure



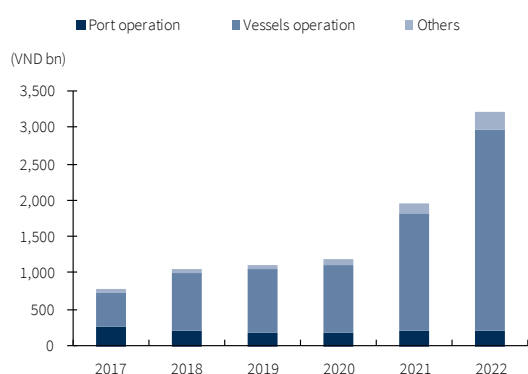
Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Container shipping is the main growth driver of HAH’s revenue, followed by port operation

Container shipping is the largest contributor to HAH's revenue in the period 2017–2022 and tends to increase its proportion over the years (up from 62% of revenue in 2017 to 82% in 2021 and 85% in 2022).

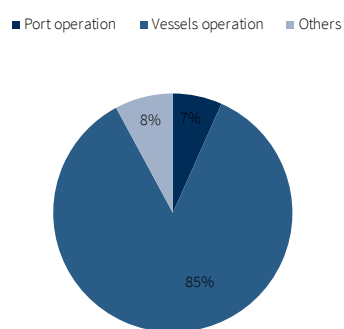
Revenue from port operation tends to decrease over the years, accounting for 11% of HAH's total revenue in 2021 and 7% of revenue in 2022. This is because HAH aims to become the operator with the largest ship fleet in Vietnam. Hai An Port mainly serves the company's fleet, and cargo throughput from other partners also decreased as the port was no longer able to handle large ships after Bach Dang bridge was built.

Fig 2. HAH – Revenue structure from 2017 to 2022



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Fig 3. HAH – Revenue structure in 2022



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

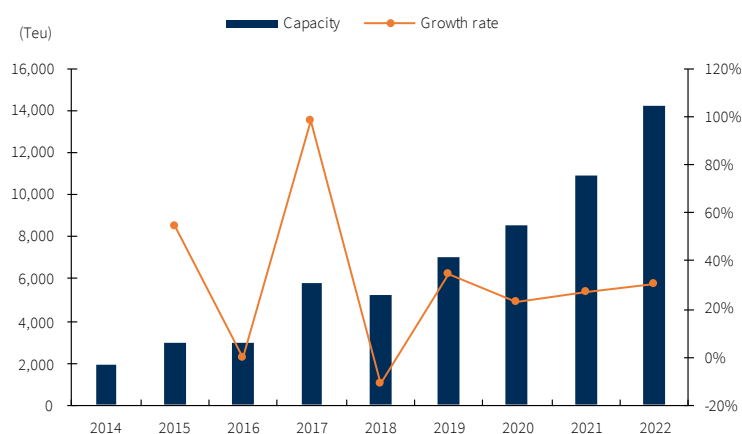
Business operation

1. Container shipping: “Young fleet” with great potential

In 2022, HAH bought two more ships, bringing the total number of ships to 10 with a total capacity of more than 14,000 TEUs

HAH bought its first container ship in 2014, starting to develop the container shipping business. HAH’s fleet is heavily invested as the company buys or orders new ships every year. In 2022, HAH completed the purchase of two more ships, Haian City and Haian Rose, bringing the total number of ships to 10 and total capacity to 14,177 TEUs (up 30%). The affiliated company of Hai An Container Transport, An Bien Container Transport has recently purchased a vessel named Anbien Bay with a capacity of 1,794 TEUs. Currently, in addition to three vessels being leased, HAH’s fleet includes seven vessels covering domestic and intra-Asia routes.

Fig 4. HAH – Total capacity of the fleet (TEU)



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Table 3. HAH – Shipping fleet

Date of purchase	Vessel name	Capacity (TEU)	Vessel age (as of 2022)	Year of building	Date of sale
06/2014	HAIAN PARK	787	21	2001 in Poland	
10/2014	HAIAN SONG	1,121			01/2021
10/2015	HAIAN TIME	1,032	21	2001	
05/2017	HAIAN BELL	1,200	19	2003 in Germany	
06/2017	HAIAN FAIR	1,688		2007 in Germany	03/2018
11/2018	HAIAN LINK	1,060	12	2010 in Japan	
05/2019	HAIAN MIND	1,794	10	2012 in Quang Ninh	
07/2020	HAIAN VIEW	1,577	13	2009 in Japan	
04/2021	HAIAN EAST	1,702	14	2008 in Germany	
05/2021	HAIAN WEST	1,740	14	2008 in China	
04/2022	HAIAN CITY	1,577	14	2008 in Japan	
11/2022	HAIAN ROSE	1,708	14	2008 in Japan	
04/2022	ANBIEN Bay	1,794	14	2008 in Japan	

Source: Hai An Transport & Stevedoring, KB Securities Vietnam

* Note: Names in red = sold, names in grey = leased

Hai An's self-operated fleet accounts for 30% of the domestic logistics market share

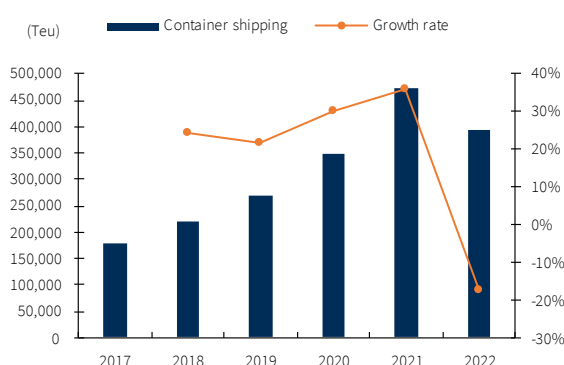
Self-operated container shipping:

Thanks to HAH's nonstop efforts in raising both quantity and quality of ships, HAH fleet is currently the largest fleet in the country, accounting for 30% of the market share of domestic routes. The total annual container shipping volume of HAH's self-operated fleet in the period 2017 – 2022 maintained a stable growth rate over the years (from 20% to 30%). In 2021, the total container shipping volume reached more than 470,000 TEUs. Currently, HAH has four to five vessels for domestic routes Hai Phong – Da Nang/Vung Tau – HCM – Da Nang/Vung Tau – Hai Phong with a frequency of four ships per week. HAH's current biggest competitor in the segment of 1,700 TEU domestic vessels is Van Son Shipping. This company has just received two ships of 1,700 TEU size with the same speed as HAH's ships from Vinaship.

HAH deployed two more intra-Asia routes in 1H22

HAH is also developing intra-Asia routes. In 1H22, HAH opened a new route from Hai Phong to Nansha (China) at the end of March and to Qinzhou (China) at the end of June. HAH is operating logistics services to three destinations in China, namely Hong Kong, Nansha and Qinzhou. The frequency of HAH's intra-Asia trips is three to four ships a week.

Fig 5. HAH – Container shipping volume (TEU)



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

HAH raised the proportion of leased vessels in the fleet to take advantage of high charter rates in 2021

Container ship leasing:

As freight rates began to skyrocket from 2021, many shipping lines took advantage of the opportunity to lease vessels to foreign markets for high charter rates. HAH also joined the trend by gradually increasing the number of ships for lease. In 4Q21, HAH signed two more contracts with foreign partners for long-term chartering of 1740 – 1800 TEU vessels with high rates (more than USD30,000/day for Hai An West and Hai An Mind), bringing the total number of leased vessels of HAH to four vessels. Revenue from ship leasing was up to USD90,000/day by the beginning of 2022.

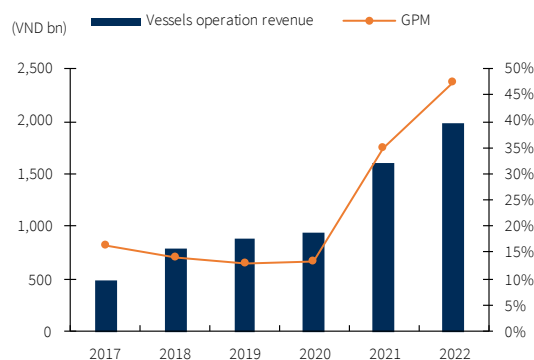
Haian West, Haian Mind, and Haian City are currently for lease

Haian West, Haian Mind, and Haian City are currently for lease, of which the contracts of the former two vessels would expire by the end of 2023. The repair of Haian City was completed on September 27, 2022 after the April incident in Bangladesh. HAH has handed the ship over to the charterer, and the lease term should last until the end of 1Q23. Currently, the company does not have any specific partners or rental plans to follow. In addition, Anbien Bay, after being purchased by HAH in April 2022, was immediately signed a three-year lease.

HAH would develop the fleet with the orientation of increasing foreign market cooperation

HAH would continue to invest in fleet development with the goal of providing daily services on the main routes HCM – Hai Phong – Vung Tau. Besides, HAH would promote cooperation with foreign shipping lines and develop intra-Asia routes (especially to Southeast Asia and Northeast Asia at first) to serve Vietnam's import and export goods.

Fig 6. HAH – Revenue & GPM of container shipping business (VNDbn, %)



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

2. Hai An Port operation: Maintains a stable growth

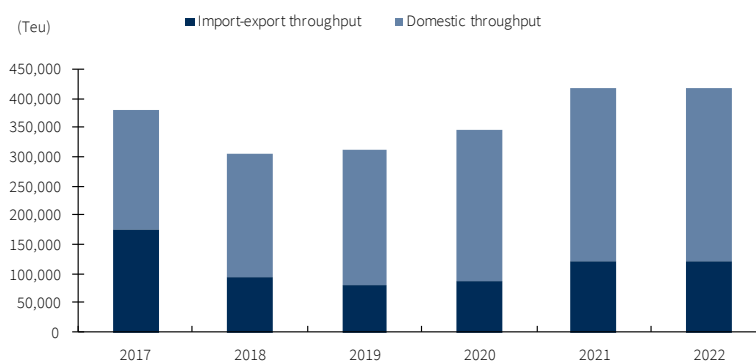
Hai An Port has been in operation since 2010 and has a designed capacity of 250,000 TEUs

Hai An Port has been put into operation since December 2010. It is located in Cam River and is one of the deep seaports of Hai Phong. The port can handle container ships of up to 1,800 TEUs and bulk cargo ships up to 25,800 DWT. Hai An Port has a design capacity of 250,000 TEUs with a quay length of 150m. Equipment includes three cranes with lifting capacity of 45T and 15 forklifts of all kinds.

Hai An Port has exceeded its designed capacity in recent years

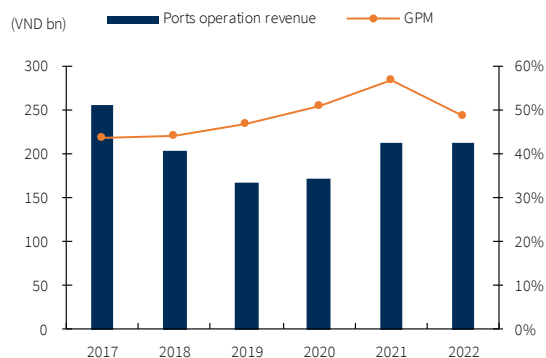
After the construction of Bach Dang Bridge was completed, Hai An Port lost many partners because of its unfavorable location (Bach Dang Bridge limits access to the port, so large vessels are unable to harbour in Hai An Port). Currently, Hai An Port operates mainly to serve the company's own fleet and partners. However, thanks to the continuous growth of shipping activities, HAH's port operations have continuously exceeded its designed capacity in recent years.

Fig 7. HAH – Container throughput via Hai An Port (TEU)



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Fig 8. HAH – Revenue & GPM from port operation (VNDbn, %)



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

HAH continues its plan to expand the port system to Cai Mep area

HAH plans to build a port in the Mekong Delta to serve its own fleet at first, but the plan is pending due to complicated procedures and high land prices. Cai Mep ICD Port plan has also been submitted but has not been approved yet.

Fig 9. HAH – Hai An Port



Source: Hai An Transport & Stevedoring

Fig 10. HAH – Quays



Source: Hai An Transport & Stevedoring

3. Other business activities

In 2014, HAH established HaiAn Agency & Logistics to provide logistics services such as multimodal domestic transportation and CFS warehouse leasing. HaiAn Agency & Logistics is the agent of many international and domestic shipping lines with branches in Hai Phong, Da Nang, Ho Chi Minh City, and Ba Ria – Vung Tau.

HAH is the general agent for Pendulum and SM Lines (Korea)

Shipping agent: HAH has been the general agent for Pendulum Express Lines since 2012. In February 2017, HAH signed a contract to act as an agent for SM Lines Corporation from Korea (which took over Hanjin Shipping in January 2017).

HAH owns a 150,000m² container yard

Warehouse & depot: HAH has container yard covering an area of 150,000 m², a CFS with an area of 4,000m², a 25,000m² yard for bulk cargo handling, a 55,000m² depot, and a refrigerated container storage area including 600 electric plugs. Most of the lifting equipment are new and imported from Germany, Sweden and Japan.

In addition, the company established a joint venture with Korea, PAN Hai An Co., Ltd., to build and operate a depot project with an area of in 154,000m² in Hai Phong.

We believe HAH will become a large and prestigious logistics company in Vietnam thanks to its end-to-end logistics services and the support from PAN-Hai An.

Fig 11. HAH – Container yard



Source: Hai An Transport & Stevedoring

Fig 12. HAH – CFS



Source: Hai An Transport & Stevedoring

Business operation

4Q22 revenue reached VND845 billion, up 26% YoY. GPM was 32%

4Q2022's net revenue reached VND845 billion, up 26% YoY thanks to (1) two more ships in the fleet, making the total number of ships in the 4Q 10 and higher freight rates and profit margins of the two new Intra-Asia routes, which has a positive impact on container shipping revenue.

However, COGS increased by 71% YoY, causing GPM to drop to 32% as container shipping volume and freight rates decreased while fuel oil prices increased. Furthermore, HAH had two ships (Haian West and Haian Mind) on periodical maintenance in 4Q22, which made profit from chartering activities decline and negatively affected gross margin as vessel leasing chartering brings the highest gross margin.

4Q22 NPAT reached VND189.5 billion, down 30% YoY

4Q22 financial income saw a quadruple increase over the same period last year, reaching VND44 billion. Financial expenses were VND52.5 billion, nearly six times higher than that of 4Q21. Profit from the joint ventures recorded a loss of VND189 million in 4Q22 because Haian Agency & Logistics became a subsidiary. 4Q22 NPAT dropped 30% YoY to VND189.5 billion.

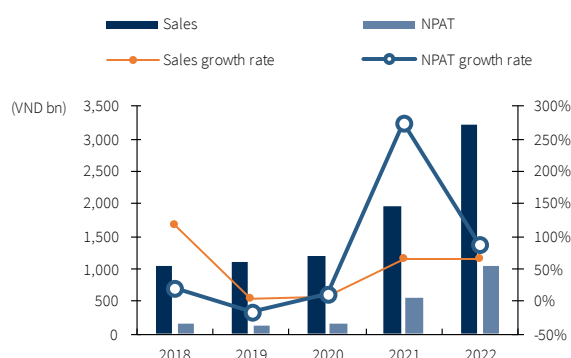
HAH achieved 191% and 134% of respective profit and revenue objectives for 2022

For the whole year of 2022, HAH achieved a net revenue of VND 3,205 billion, up 60% YoY. Full-year NPAT & revenue are VND1,051 billion and VND3,205 billion, respectively exceeding 91% and 34% of 2022E targets.

Total assets reached VND5,106 billion in 2022

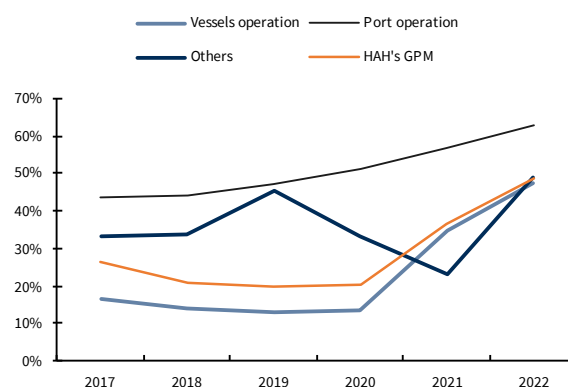
As of December 31, 2022, HAH's total assets recorded VND5,106 billion, up 57% YTD, mainly from an increase in fixed assets from ship investment. Outstanding loans increased by 63% YTD to VND2,168 billion.

Fig 13. HAH – Revenue & NPAT in 2017–2022 (VNDbn)



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Fig 14. HAH – GPMs of container shipping & port operation (%)



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Investment catalysts

1. Potential young fleet

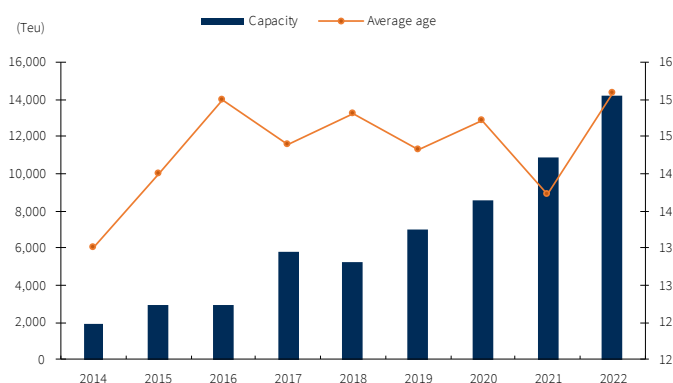
The HAH fleet accounts for 34% of the total fleet's capacity of the country

HAH fleet has many advantages compared to the fleet of other shipping companies as it has been heavily invested by the company. Currently, HAH owns 10 ships with a total capacity of more than 14,000 TEUs, accounting for 34% of the total capacity of the country's container fleet (from 10 domestic container shipping lines nationwide with 49 ships with a total capacity of 41,000 TEUs). In addition, there is Anbien Bay that An Bien Container Transport bought in April this year. HAH also ordered two new vessels of 1700–1800 TEU size, which should be completed and put into use from the beginning of 2024.

The average age of HAH fleet is 15.2 years old, much lower than the national average age

HAH sold Hai An Song and Hai An Park and bought Hai An City and Hai An Rose ships this year. Thanks to HAH's efforts to "rejuvenate" its fleet, the average age of HAH vessels is 15.2 years old, much lower than the average age of other 49 container ships nationwide. HAH's new ships are getting younger and younger and have larger carrying capacity than the national average, which helps to secure HAH fleet's leading position in Vietnam.

Fig 15. HAH – Total capacity and average age of the fleet (TEU, year)



Source: Hai An Transport & Stevedoring, KB Securities Vietnam

The leading position and the advantages of the fleet ensure HAH's stable growth despite many difficulties

Container shipping lines are facing many difficulties related to economic recession, plummeted consumer demand in the US and Europe, rising inflationary pressure, the Zero Covid policy from China, and the Russia-Ukraine conflict. However, data from the Vietnam Maritime Administration showed the total port throughput in Vietnam in 2022 grew by 4% compared to 2021, recording more than 733 million tons. Of that, the volume of container throughput is estimated at more than 25 million TEUs, up 5% YoY. This, when combined with China's relaxing COVID control measures, should facilitate the recovery in import and export activities and ensure the room for transportation activities' development. With its leading position and fleet's competitiveness, HAH should get direct benefits, outperform other shipping lines, and maintain output growth despite the current challenges.

2. Benefits from long-term vessel charter contracts

HAH has two ship charter contracts lasting until 4Q23. Its subsidiary also signed a three-year contract for Anbien Bay

HAH has currently had three vessels for lease, of which the contract for Hai An City should expire in March 2023, and the contracts for the other two ships, Hai An West and Hai An Mind will expire in 4Q23. The latter two ships have long-term contracts signed when the charter prices peaked, so the charter rates of them are over USD30,000/day (according to Harper Petersen, the fixed charter rate for vessels of 1,700 TEU size on December 9, 2022 was USD14,500). In April 2022, An Bien Container Transport bought a new ship, Anbien Bay, for USD27 million, immediately signed a three-year lease contract, and delivered the ship in June 2022 (lease terming lasting until June 2025) with a high charter rate of USD40,000/day.

Long-term vessel leasing contracts with high charter rates ensure HAH's business results in 2023

As freight rates are still on the decline, HAH's successful signing of long-term contracts with high charter rates has ensured profits for the last quarter of 2022 and 2023. We expect HAH to maintain positive business results in 1H23 thanks to the stable high revenue from ship chartering.

3. Strong development of international routes, especially intra-Asian ones

HAH is running three to four international ships/week after opening two more intra-Asia routes to Chinese ports, which helps to increase the company's freight traffic

HAH is continuously opening new intra-Asia routes. HAH currently has three to four ships for international routes which are operated with a frequency of three to four ships per week. In March 2022, HAH opened the Intra-Asia container shipping route Hai Phong – Hongkong – Nansha – Hai Phong with a schedule of one ship per week. This is the first time HAH has handled cargo at a port of mainland China. Previously, Hai An opened intra-Asia container transport routes to Hong Kong and Singapore.

In June 2022, HAH opened another intra-Asia container shipping route: Hai Phong – Qin Zhou (Guangxi, China). This is the second shipping route in a row Hai An opened this year to directly transport sea containers between Hai Phong and China.

The opening of a new transport route directly into Nansha and Guangzhou ports will make an important role in increasing the company's domestic and intra-Asia cargo traffic.

Table 4. HAH – International shipping schedule in the 8th week of 2023

VESSEL'S NAME	VOY.NO	PORT	ETA/ATA	ETB/ATB	ETD/ATD
HAIAN PARK	342E	HPH	21-Feb-2023 02:00	21-Feb-2023 11:00	22-Feb-2023 00:00
	342W	HKG	23-Feb-2023 17:00	23-Feb-2023 20:00	24-Feb-2023 10:00
	342W	NSH	24-Feb-2023 16:00	24-Feb-2023 17:00	25-Feb-2023 07:00
		QZH			
HAIAN CITY	005E	HPH	26-Feb-2023 05:00	26-Feb-2023 21:00	27-Feb-2023 18:00
	005W	HKG	01-Mar-2023 06:00	01-Mar-2023 08:00	01-Mar-2023 22:00
	005W	NSH	02-Mar-2023 02:00	02-Mar-2023 05:00	02-Mar-2023 14:00
	005W	QZH	04-Mar-2023 00:00	04-Mar-2023 01:00	04-Mar-2023 12:00
HAIAN TIME	326E	HPH	05-Mar-2023 05:00	05-Mar-2023 07:00	06-Mar-2023 06:00
	326W	HKG	08-Mar-2023 06:00	08-Mar-2023 08:00	08-Mar-2023 22:00
	326W	NSH	09-Mar-2023 02:00	09-Mar-2023 05:00	09-Mar-2023 14:00
	326W	QZH	11-Mar-2023 00:00	11-Mar-2023 01:00	11-Mar-2023 12:00

Source: Hai An Transport & Stevedoring, KB Securities Vietnam

Intra-Asia routes have higher freight rates and profit margins

The expansion of intra-Asia routes also helps to improve HAH's transportation profit margin. Freight rates for Intra-Asia routes are 40% higher than domestic routes, while the distances are shorter (Hai Phong – HCM route is shorter than Hai Phong – Nansha route).

HAH plans to add 51% capital to found a joint venture Zim – Hai An

4. Zim – Hai An, increasing international market presence

HAH has approved a plan to establish a joint venture company Zim – Hai An with a charter capital of USD2 million in cooperation with Zim International Shipping Lines. According to the original plan, in the first year of establishment, each party will contribute one ship and start the exploitation plan from the end of 2022. If the joint venture works well, Zim will lend the joint venture USD60 million to buy more ships.

Zim – HAH should help HAH to expand its market share on international markets

According to HAH, it chose Zim as a partner because Zim is the company with the highest efficiency in vessel operating and business performance in the top 10 of the world. Zim has the lowest fleet investment compared to the other nine corporations as it only uses 10% of the fleet while the rest is chartered. The Zim – Hai An joint venture benefits HAH in the following ways:

- HAH can take advantage of Zim's network in Asia and learn from Zim's experience in international routes.
- HAH can expand new international routes with Zim's support. Zim opened Sino-US routes five years ago. HAH can ship goods in Zim's containers and then transship it in Hong Kong, Shanghai to the US and other routes.
- The risks related to the market downturn would be limited to HAH. In addition to self-operating or leasing ships, HAH can lease ships to partners at any time for reasonable prices.

Zim – Hai An is expected to go into operation in 1Q23

However, the plan to put Zim – Hai An into operation was delayed until after the Lunar New Year of 2022 because Zim and Hai An both realized that the current situation of exporting goods was not favorable. It is expected that the joint venture will operate for 20 years and record earnings from 2023. Zim – Hai An expects difficulties and a slight loss in the first few years but it should contribute profits to HAH from the third year of operation. However, we have not included Zim – Hai An in our forecast due to the lack of information.

5. Long downtrend of spot and charter rates

Both spot rates & charter rates are on the decline

The Drewry world container composite index last week fell 3% compared to the previous week and 80% YoY. The average spot rate for a 40-foot container is currently at USD1,898, down 82% from its peak of USD10,377 in September 2021, 30% below the 10-year average but still 34% higher than the pre-Covid levels. Spot rates for major international routes continued to fall. In the third week of February, Shanghai – Rotterdam, Shanghai – New York freight rates all decreased by 4%.

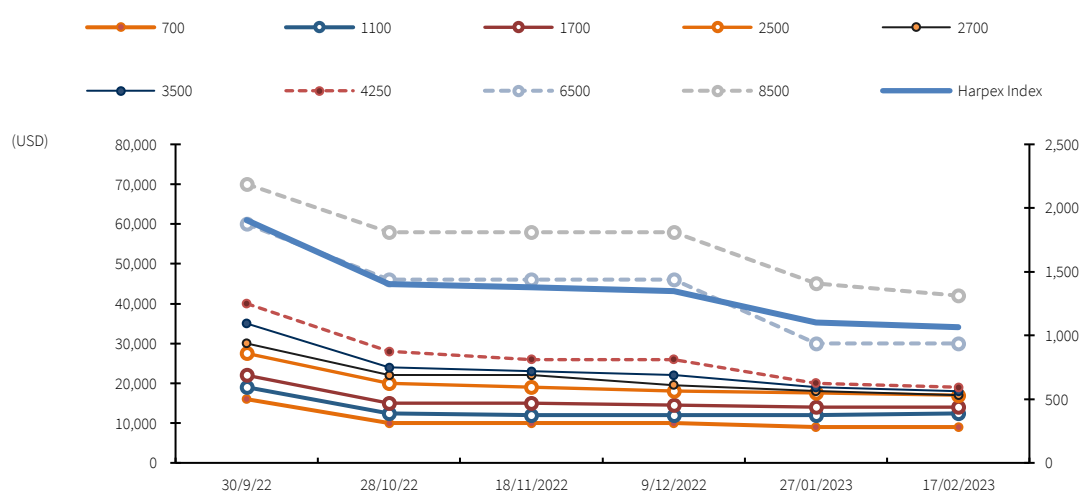
Global ship charter rates are also falling. Most HAH's vessels have a capacity of 1,700 TEUs, the current average charter rate is only USD14,500/day.

Table 5. Global – Freight rates for some main international routes (USD)

Spot freight rates	Feb 9, 2023	Feb 16, 2023	Feb 23, 2023
Composite index	1,997	1,955	1,898
Shanghai – Rotterdam	1,715	1,698	1,633
Rotterdam – Shanghai	761	754	728
Shanghai – Genoa	2,655	2,581	2,540
Shanghai – LA	2,047	2,024	1,959
LA – Shanghai	1,137	1,139	1,101
Shanghai – NY	3,125	2,996	2,881
NY – Rotterdam	1,195	1,194	1,161
Rotterdam – NY	6,010	5,675	5,640

Source: Drewry, KB Securities Vietnam

Fig 16. Global – Charter rates across classes of ship (USD)

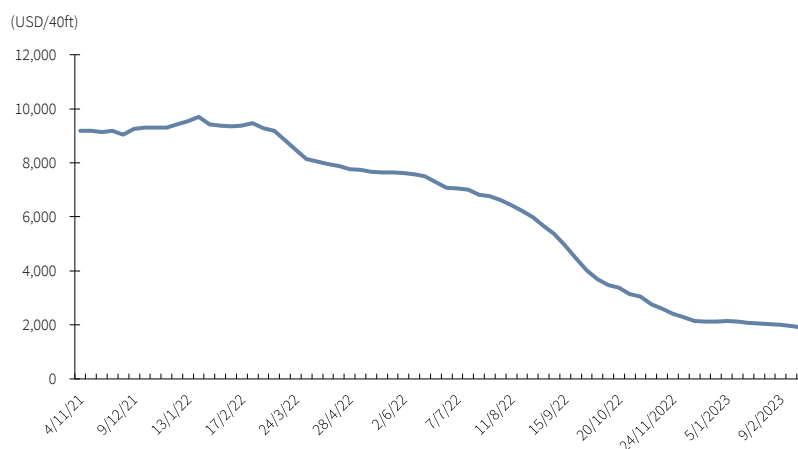


Source: Harper Petersen, KB Securities Vietnam

* Note: Harpex Shipping Index tracks worldwide international container shipping rates for different classes of container ships

Drewry World Container Index tracks the freight costs of 40-foot container via eight major routes

Fig 27. Drewry – Spot rates (USD/40-foot container ship)



Source: Drewry, KB Securities Vietnam

Domestic freight rates are declining while HAH is more affected by fluctuations in international freight rates

In the domestic market, freight rates are also affected by the general downward trend in the world transport market. The main reason is not improved container congestion but lower transport demand amid concerns about the risk of recession. Logistics companies said that freight rates are expected to decline at least until the end of 1H23. Domestic rates often decline later and see smaller decreases, compared to international rates. Currently, HAH's domestic and international freight rates remain the same compared to April 2022. However, in the past two years, HAH has opened two new transport routes to China and leased half of its fleet to international carriers, so HAH is now more affected by international market fluctuations. The risk of a prolonged decline in international freight rates will negatively affect HAH's business results in the coming years.

Risks

The gloomy macro-economy causes trade demand to decrease, adversely affecting HAH's performance

The world's macroeconomic outlook is forecast to be gloomy in 2023, making Vietnam's trade prospects less positive. Global trade output should decelerate to 2.5%. The risk of economic recession will lead to a decrease in trade demand, directly affecting HAH's transport output, port throughput and chartering activities.

1. Oversupply risk when new vessels are put into operation in the next two years

It is estimated that nearly 700 new ships with a total capacity of more than 5 million TEUs will come into operation in the next two years

According to Statista, there will be 340 newly built container ships to be delivered in 2023, of which more than half, 165, have a capacity of 1,000 to 2,999 TEUs. In 2024, 335 newly built container ships will be delivered. The total capacity of newly delivered container ships will reach 2.34 and 2.83 million TEUs respectively in 2023 and 2024. Consulting firms believe that if the number of new ships continues as it is now, the oversupply will affect the container transport market, especially when the risk of economic recession is negatively affecting transport demand, freight rates will continue to decline for a long time.

HAH's two new-built ships are expected to be delivered by the end of 2023 – early 2024, right when a series of international new-build ships come into operation

HAH ordered two newly built ships which should be delivered by the end of 2023 or early 2024. At that time, the contracts for two leased ships of HAH also ended. Therefore, they would be used for domestic routes if no foreign partners are found, bringing the number of HAH's self-operated ships to four. However, the risk of oversupply can be undermined as currently other shipping lines are not planning to buy more new ships, and HAH also plans to contribute one ship to Zim – Hai An's fleet and put more ships on international routes, especially intra-Asia ones. We expect that with the advantages of a young fleet, HAH will not be affected much by the oversupply of ships in the next two years.

2. Long-term competition among Hai Phong ports

Many new port projects in Hai Phong are being implemented and put into operation in the next two years, increasing competitive pressure

The competition between Hai Phong ports is increasingly fierce. Currently, Hai Phong is considering investment in many new ports. The ongoing projects are Nam Dinh Vu 2, Lach Huyen 3, 4, 5, 6, and Gemalink 2, which, when put into operation, will increase the competitive pressure on Hai Phong ports, including Hai An Port especially when the geographical position of Hai An is no longer favorable after Bach Dang Bridge was built.

Forecast & valuation

After considering the general situation of the international logistics market, the existing advantages of HAH, and the company's future prospects, we make the following projections:

HAH's 2023F NPAT is VND507 billion on revenue of VND2,557 billion, and GPM may reach 30%

For 2023, we expect HAH revenue to reach VND2,557 billion, down 20% compared to 2022. GPM should reach 30%, down from 44% in 2022. NPAT is estimated at VND507 billion.

- Hai An City's lease contract will expire soon from the beginning of the year. HAH only has two leased ships that expire in September and November, respectively.

- We estimate HAH's 2023 freight rates will decrease by 12% following the general decline in the international transport market, and the container shipping volume may drop 15% YoY to 333 thousand TEUs.

Table 6. HAH – 2023–2024F performance

	2020	2021	2022	2023F	2024F
Net revenue	1,192	1,955	3,206	2,557	2,338
COGS	952	1,241	1,784	1,786	1,526
Gross profit	239	714	1,422	771	811
Loss	-8	-7	-38	-111	-165
SG&A expenses	68	85	114	91	83
Other expenses	0	20	-27	0	0
Revenue from affiliates	6	19	29	49	51
Pre-tax profit	170	662	1,272	620	617
Taxes	24	112	232	113	112
Post-tax profit	147	551	1,041	507	505

Source: Hai An Transport & Stevedoring, KB Securities Vietnam

We recommend HOLD for HAH stocks with the target price of VND38,400/share

Using the discounted cash flow method, we set a target price for HAH of VND38,400/share, equivalent to a return of 13.6% compared to the closing price of VND33,800/share on February 27, 2023

Table 7. HAH – Share price valuation

Company value (VNDbn)	2,795
Outstanding share	70,344,667
Target price (VND)	38,400
Current price (VND)	33,600
Upside	13.6%

Source: Hai An Transport & Stevedoring, KB Securities Vietnam

HAH – 2021A–2024F financials

Income Statement					Balance Sheet				
(VND billion)	2021	2022	2023F	2024F	(VND billion)	2021	2022	2023F	2024F
Net sales	1,955	3,206	2,557	2,338	TOTAL ASSETS	3,232	5,049	5,824	6,521
Cost of sales	1,241	1,784	1,786	1,526	CURRENT ASSETS	1,287	1,745	1,495	1,409
Gross Profit	714	1,422	771	811	Cash and cash equivalents	485	415	400	400
Financial income	26	39	34	34	Short-term investments	87	140	140	140
Financial expenses	33	76	145	199	Accounts receivable	633	979	804	735
of which: interest expenses	32	57	0	0	Inventories	48	78	74	63
Gain/(loss) from joint ventures	19	29	49	51	LONG-TERM ASSETS	1,945	3,305	4,329	5,112
Selling expenses	0	0	0	0	Long-term trade receivables	0	113	113	113
General and admin expenses	85	114	91	83	Fixed assets	1,536	2,744	3,768	4,202
Operating profit/(loss)	642	1,300	618	615	Long-term incomplete assets	7	45	45	45
Other incomes	23	6	0	0	Long-term investments	148	140	140	490
Other expenses	3	33	0	0	Goodwill	0	0	0	0
Net other income/(expenses)	20	-27	2	2	LIABILITIES	1,330	2,162	2,531	2,824
Net accounting profit/(loss) before tax	662	1,272	620	617	Current liabilities	621	910	737	814
Corporate income tax expenses	112	232	113	112	Trade accounts payable	79	148	81	114
Net profit/(loss) after tax	551	1,041	507	505	Short-term unrealized revenue	15	12	0	0
Minority interests	105	219	76	76	Short-term borrowings	234	318	212	320
Attributable to parent company	446	822	431	429	Long-term liabilities	710	1,252	1,794	2,010
					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	1,546	1,763
					OWNER'S EQUITY	1,902	2,887	3,293	3,697
					Paid-in capital	488	703	703	703
					Share premium	192	192	192	192
					Undistributed earnings	592	1,025	0	0
					Other funds	0	0	0	0
					Minority interests	0	0	0	0
Margin ratio					Key ratios				
(%)	2021	2022	2023F	2024F	(x, %, VND)	2021	2022	2023F	2024F
Gross profit margin	36.5%	44.4%	30.2%	34.7%	Multiple				
EBITDA margin	49.3%	51.3%	38.6%	44.6%	P/E	3.7	3.0	5.5	5.5
EBIT margin	35.5%	41.5%	24.3%	26.4%	P/E diluted	3.7	3.0	5.5	5.5
Pre-tax profit margin	33.9%	39.7%	24.3%	26.4%	P/B	1.7	0.8	0.8	0.7
Operating profit margin	32.8%	40.5%	24.2%	26.3%	P/S	1.7	0.7	1.1	1.2
Net profit margin	36.5%	44.4%	30.2%	34.7%	P/Tangible Book	1.7	0.8	0.8	0.7
					P/Cash Flow	4.2	1.8	2.9	3.3
					EV/EBITDA	3.4	1.4	2.7	2.6
					EV/EBIT	4.8	1.7	4.4	4.4
					Operating performance				
					ROE	28.9%	36.1%	15.4%	13.7%
					ROA	17.0%	20.6%	8.7%	7.7%
					ROIC	29.4%	32.9%	12.7%	11.0%
					Financial structure				
					Cash Ratio	92.2%	61.0%	73.3%	66.4%
					Quick Ratio	76.9%	111.0%	105.0%	101.9%
					Current Ratio	194.2%	168.5%	182.5%	156.7%
					LT Debt/Equity	29.4%	34.8%	47.0%	47.7%
					LT Debt/Total Assets	17.3%	19.9%	26.6%	27.0%
					ST Debt/Equity	12.3%	11.0%	6.4%	8.7%
					ST Debt/Total Assets	7.2%	6.3%	3.6%	4.9%
					ST Liabilities/Equity	32.6%	31.5%	22.4%	22.0%
					ST Liabilities/Total Assets	19.2%	18.0%	12.7%	12.5%
					Total Liabilities/Equity	69.9%	74.9%	76.9%	76.4%
					Total Liabilities/Total Assets	41.2%	42.8%	43.5%	43.3%
					Activity ratios				
					Account Receivable Turnover	3.1	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

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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

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