November 22nd, 2021



Saigon Port JSC.

[Vietnam / Logistics]

Bloomberg Code (SGP VN) | Reuters Code (SGP.HM)

BUY

Initiate

Target price (12 mths)	**VND46,200**
Current price (November 22)	VND35,100
Upside (%)	+31.6



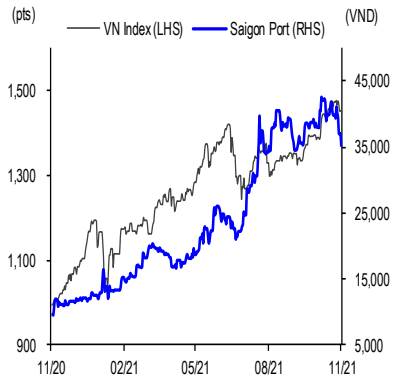
[Analyst]

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VNINDEX			1,447
HNXINDEX			445
Market cap (bn VND)			7,592
Outstanding shares (1mn)			216.3
Free float (1mn)			53.5
52-week high/low (VND)			43,400/9,200
60-day avg. trading volume			1.4
60-day avg. turnover (bn VND)			19.9
Foreign ownership (%)			0.02
Major shareholders	Vinalines		65.5
	Vietinbank		9.1
	VPbank		7.4
	Quang Nam RE		9.8
Performance			
Absolute (%)	2.9	88.7	265.6
Relative (%)	(5.9)	76.0	219.4



Shinhan Securities

The rising tide

Initiate coverage with BUY call and Target price of VND46,200

Saigon Port JSC, one of the largest seaport operators in Vietnam, is our top picks in seaport players, given that: 1) competitive advantages of Saigon - Hiep Phuoc port (favorable geographical position and supported shipping lines) in Hochiminh City; 2) bearing fruit from their joint ventures in Cai Mep-Thi Vai are deep seaports, which will improve its return on equity over the upcoming years; and 3) Holding the "golden land" in HCMC city central. Via employing DCF valuation method, we initiate the BUY rating and target price of VND46,200 (a potential upside of +31.6% from the current price of VND35,100).

Port operation – The rising tide

We believe gross profit of core business to exhibit CAGR of 19.1% between 2021 and 2025, with the port operation will recovery strongly in both top- and bottom-line, in light of: 1) the aggregated capacity of the company will increase by 32%; 2) focusing on high-value cargos, especially containers from 2023; 3) the improvement of seaport infrastructure; and 4) new container lines from Hai An Transport.

Bearing fruit from JVs in Cai Mep Thi Vai area

JVs with SSIT and SP-PSA, operating 2 deep-sea ports in CMTV area, will generate higher profits for Saigon port, with total profit of VND1.32 tn during 2021-2025. SSIT joint venture has started making profit since 2020 and we expect it will fully exploit its designed capacity from 2023-2024. Meanwhile, SP-PSA will generate profit from 2023, thanks to container exploitation with higher throughput volume as well as services fee.

Holding the "golden land" in HCMC city central

Saigon Port is holding shares of Vien Dong Pearl – the developer of Nha Rong - Khanh Hoi complex project with the most favorable location in HCMC. The successful relocation of Nha Rong – Khanh Hoi port will: 1) bring Sai Gon Port at least VND1.2tn, in terms of other profits, because of accounting advanced fund to support the relocation of Nha Rong - Khanh Hoi port (SGP have fully received the fund since 2018), and 2) When the project completes and opened for sale, Saigon Port can get benefit from holding shares of Vien Dong Pearl.

Year to Dec.	2020	2021F	2022F	2023F	2024F
Revenue (bn VND)	**936**	**1,243**	**1,372**	**1,548**	**1,706**
OP (bn VND)	201	298	330	412	474
NP (bn VND)	**233**	**658**	**469**	**620**	**729**
EPS (VND)	3,214	2,939	2,088	2,769	3,257
BPS (VND)	11,670	13,396	13,869	14,497	15,235
OPM (%)	21.4	24.0	24.0	26.6	27.8
NPM (%)	24.9	52.9	34.2	40.1	42.7
ROE (%)	**10.8**	**27.4**	**15.9**	**20.2**	**22.7**
PER (x)	10.9	11.9	16.8	12.7	10.8
PBR (x)	3.0	2.6	2.5	2.4	2.3
EV/EBITDA (x)	17.7	8.6	10.9	8.7	7.6

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Initiate coverage with BUY call and TP of VND46,200

We initiate coverage Saigon Port JSC (SGP VN), one of the largest seaport operators in Vietnam, with a BUY rating and target price of VND46,200 (a potential upside of +20% from the current price of VND35,500). Saigon Port is one of our top picks in seaport players, given that: 1) competitive advantages of Saigon - Hiep Phuoc port (favorable geographical position and supported shipping lines) in Hochiminh City; 2) bearing fruit from their joint ventures in Cai Mep-Thi Vai are deep seaports, which will improve its return on equity over the upcoming years (with 2025F ROE of 24% from 10.8% in 2020); and 3) Holding the "golden land" in HCMC city central. The share is being traded at 2022 forward P/E of 16.8x, which is a higher-than-average ratio of seaport companies, but is attractive compared with the expected net profit CAGR of 28.6% during 2021-2025); while seaport is one of the industries benefited from the relocation of multinational manufacturers to Vietnam - Asia's new manufacturing hub.

Valuation

In our view, DCF, EV/EBITDA, and justified P/B methodologies are acceptable for valuing a seaport company. We decided to employ DCF as our main valuation methodology for Saigon Port, given that: 1) positively related to the growth rate of expected profit and cash flow; 2) unlikely to have a specific plan for port expansion in the coming years from the company.

Our DCF valuation-based target price of VND46,200, derived from a terminal growth rate of 0% and cost of equity of 9.8%, which is being translated to 2022F PBR and PER of 3.3x and 22.1x, respectively. These multiples are higher than the +2 standard deviation of its 3-year historical average. We think that this is a reasonable multiples valuation for Saigon Port as the company will enjoy a higher profit growth and ROE since 2021 (with an expected 5-year CAGR of 28.6% in net profit and 2025 ROE of 24%).

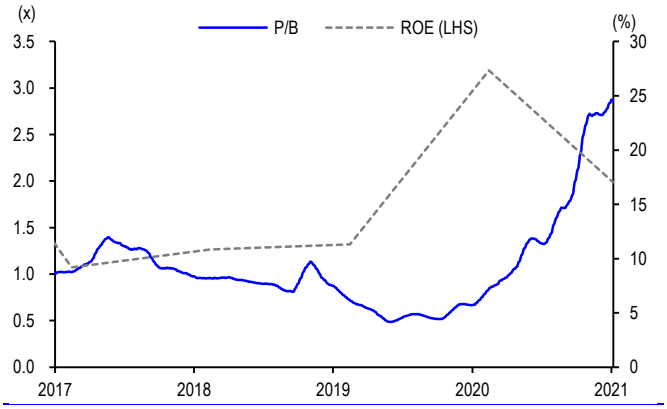
DCF-based valuation of Saigon Port

(Unit: VND bn)	2021F	2022F	2023F	2024F	2025F
Revenue	1,243.3	1,371.6	1,548.0	1,705.9	1,866.6
EBIT	743.3	558.1	724.2	843.3	938.6
Less: Taxes	70.3	76.7	92.8	105.1	117.5
Plus: D&A	103.9	111.9	112.7	112.7	112.7
Less: Net working capital	(45.9)	111.5	(14.5)	106.7	(18.3)
Less: Capex	0.0	30.0	30.0	0.0	0.0
FCFF	**822.8**	**451.8**	**728.5**	**744.3**	**952.0**
Discount factor	1.0	0.90	0.82	0.75	0.68
PV of FCF	814.2	407.39	598.48	557.07	649.26
Sum of PV	3,026.4				
Terminal growth (%)	0.0				
PV of Terminal value	6,655.7				
Enterprise value	**9,682.2**				
Net borrowing	(317.7)				
Equity value	9,999.9				
# of outstanding share	216,295,000				
Value per share (VND)	**46,200**				
Current price	35,100				
Upside	31.6				

WACC calculation		Remark
WACC (%)	9.75	
Risk-free rate (%)	2.80	10-year government bond yield
Equity risk premium (%)	8.21	
Beta	0.85	2017-present beta
Cost of debt (%)	9.00	
Cost of equity (%)	9.78	
Debt to capital ratio (%)	3.03	
Value of debt (bn VND)	256	
Value of equity (bn VND)	8,436	

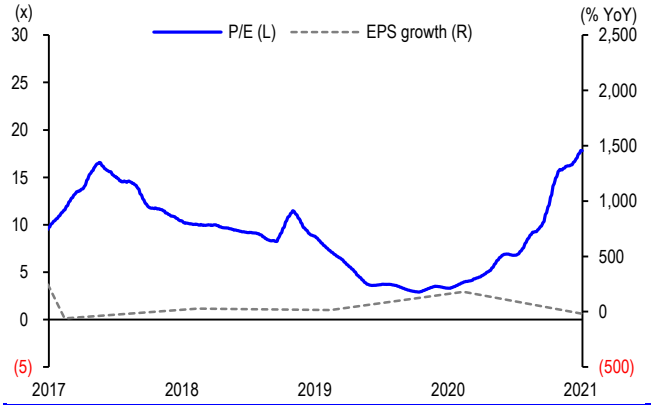
Source: Bloomberg, Shinhan Securities Vietnam

Saigon Port 12M forward PBR versus ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Saigon Port forward PER versus EPS growth



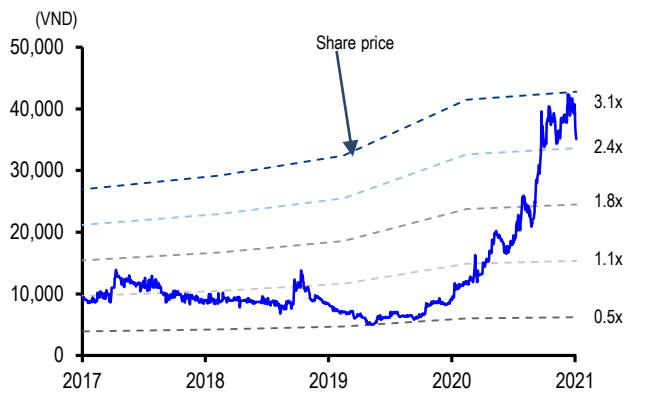
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Saigon Port 12M forward PBR



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Saigon Port PBR band chart



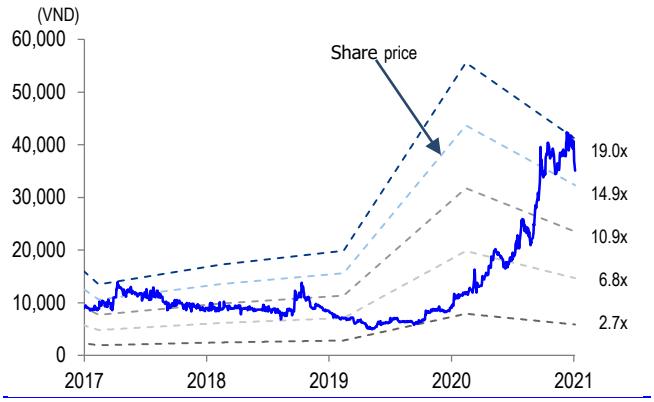
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Saigon Port 12M forward PER



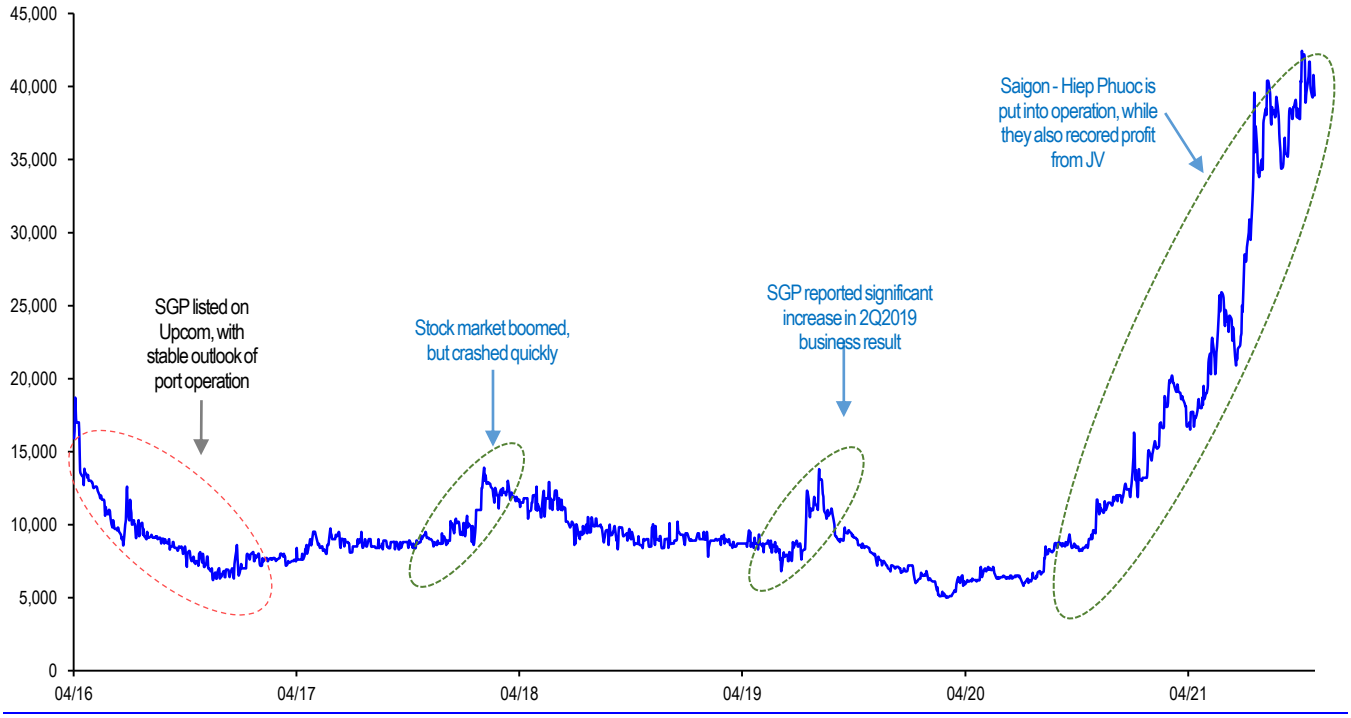
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Saigon Port PER band chart



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of Saigon Port



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Investment Thesis

Regain the leading position in the port operation of the Southern area

Saigon Port JSC. (SGP VN) is the second-largest port operator in Hochiminh city (accounting for 6% of HCMC's throughput volume in 2020), which stands out with its 3 major ports (Nha Rong - Khanh Hoi, Tan Thuan, and Saigon Hiep Phuoc). Moreover, Saigon Port has 3 JVs in deep-water seaports in Cai Mep Thi Vai (CMTV) area (including SSIT, CMIT, SP-PSA), which are expected to contribute significant profit growth over the next 5 years, and support for the company's port operation in HCMC (containers will be collected at HCMC port clusters, then transported to the deep-sea ports in CMTV). By using its assets efficiently, the company can improve its return on equity in the coming years (with a 2025 ROE of 24% from 2018-2020 average of 10.4%).

We expect that the net profit of Saigon Post will exhibit a 2021-2025 CAGR of 28.6%, in light of:

① The recovery of port operation will enhance the double-digit profit growth for the company's core business. Saigon Hiep Phuoc (SGHP) port will be the key growth driver of Saigon Port, in light of: 1) officially exploiting all 3 wharves since 2021; and 2) attracting container lines of Hai An Transport after the neighboring infrastructure will be completely upgraded in 2023. Thus, we expect that the gross margin will improve to 43.5% in 2025 from the 2016-2020 average of 40% (which is higher-than-average between seaport companies).;

② JVs with SSIT and SP-PSA, operating 2 deep-sea ports in the CMTV area, will generate higher profits. SSIT joint venture has started making a profit since 2020 and we expect it will fully exploit its designed capacity from 2023-2024. Meanwhile, SP-PSA will generate profit from 2023, thanks to container exploitation with higher throughput volume as well as services fee (with ~40% higher service fee).

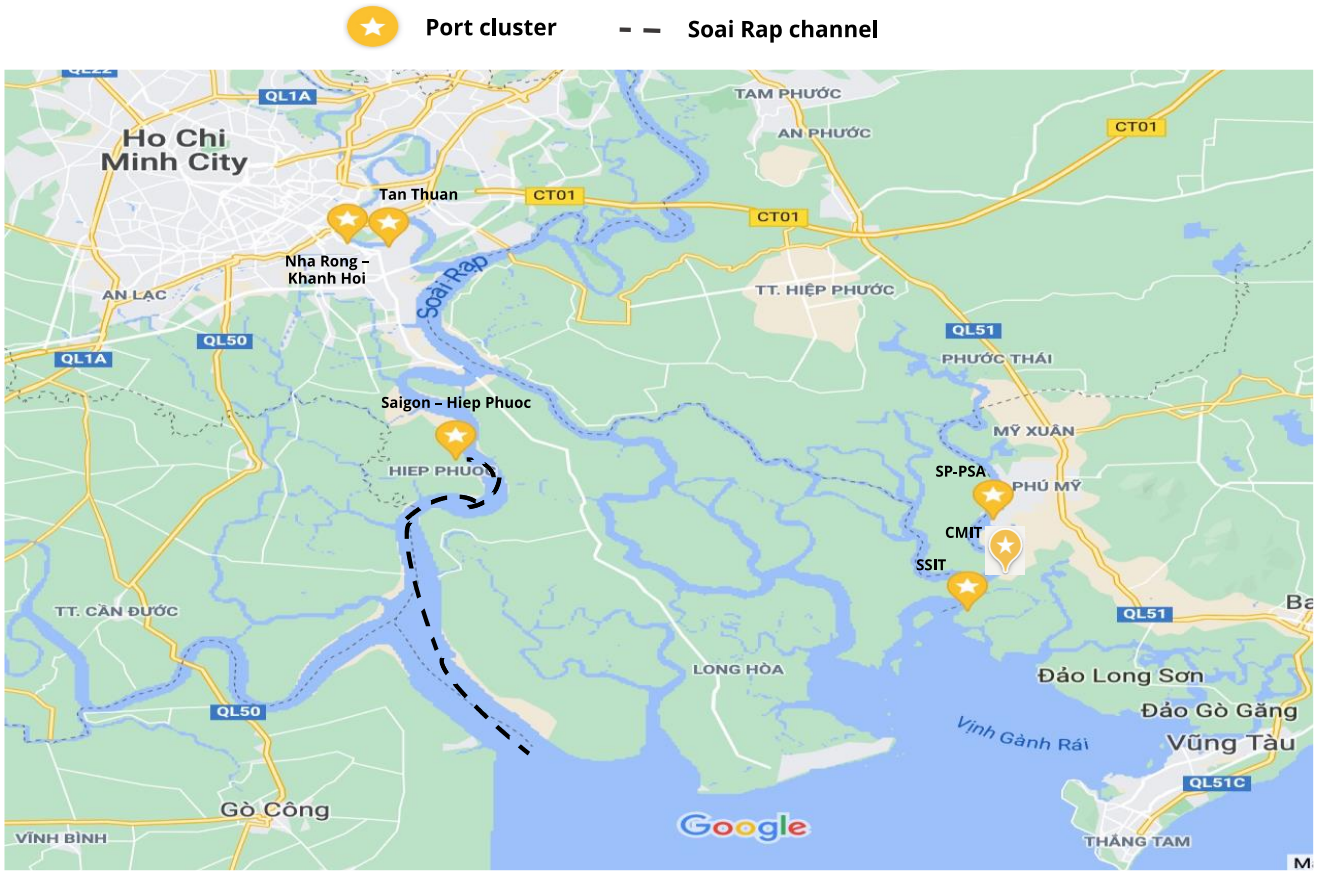
③ The successful relocation of ports along the Saigon River (including Nha Rong-Khanh Hoi port) to Hiep Phuoc area will bring Sai Gon Port other potential income from accounting advanced fund to support the relocation;

Major ports and JVs of Saigon Port

Ports	Ownership (%)	Capacity	Type of cargo	Vessel size (DWT)	2020A Output	Utilization (%)	Remark
Nha Rong - Khanh Hoi (NR-KH)	100	5.0mn tonnes	General	36,000	N/A	N/A	In process of transferring operations to Saigon - Hiep Phuoc port
Tan Thuan	100	6.5 mn tonnes	Steel, containers	50,000	N/A	N/A	Reached its full capacity in period 2020-2021, no expansion plan
Saigon Hiep Phuoc (SGHP)	90.5	8.7 mn tonnes	Equipment	70,000	N/A	N/A	Officially exploited all 3 wharfs since 2021
SP-PSA	36	1.5mn TEUs	Bulk cargo, containers	120,000	0	0	Provision has been made for 100% of the total contributed capital
CMIT	15	1.1mn TEUs	Containers	160,000	1.0mn TEUs	91	Provision has been made for 100% of total contributed capital
SSIT	39	1.1mn TEUs	Containers	160,000	0.55mn TEUs	50	

Source: Company data, Shinhan Securities Vietnam

Port clusters of Saigon Port in Hochiminh city and Cai Mep-Thi Vai



Source: Saigon Port, Google map, Shinhan Securities Vietnam

Port operation – The rising tide

We believe that the port operation of Saigon Port will recovery strongly in both top-and bottom-line, in light of: 1) a 32% increase in aggregated capacity; 2) focusing on high-value cargos, especially containers from 2023; 3) the improvement of seaport infrastructure; and 4) new container lines from Hai An Transport.

Saigon Hiep Phuoc – The key expanding exploitation capacity

Before 2021, Sai Gon Port has mainly operated at 2 ports, including Nha Rong - Khanh Hoi (NR-KH) and Tan Thuan (TT), with a stable volume of 10mn tonnes/year. However, TT port already runs at full capacity and NR-KH port has been waiting for relocation. Since 2021, SGHP port commenced operation all of its 3 wharves and replace NR-KH port in HCMC, with the designed capacity being 74% higher than the old port. As the result, we expect that Saigon Port's aggregated annual exploitation capacity will increase by 32% and reach 15.2mn tonnes. During 2021-2025, thanks to SGHP port's contribution, we expected the total throughput volume of Saigon Port' will have a CAGR of 11%, with container volume will have a CAGR of 21%.

Focusing on high-value cargo will improve the company's margin

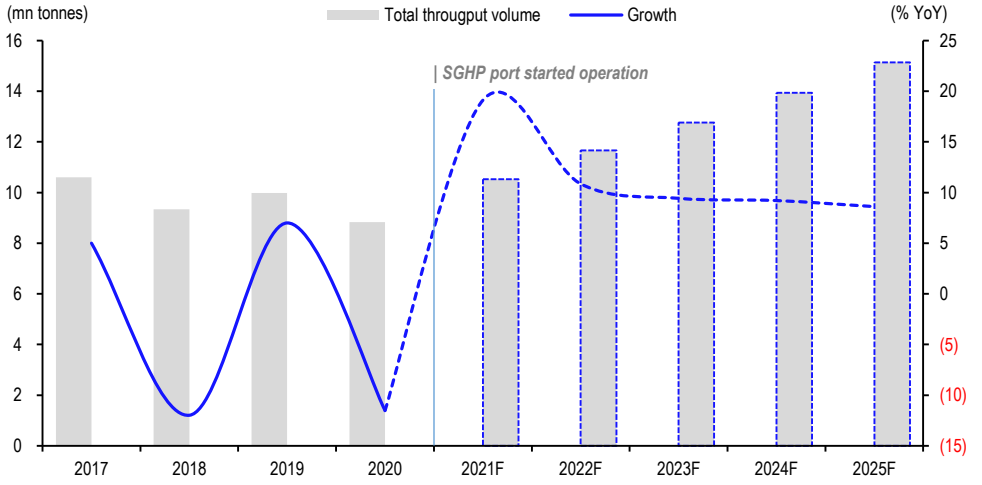
Bulk cargo (including iron/steel and fertilizers) used to be the main cargos of Saigon Port's output in recent years. When the newly-equipped SGPH port was put into operation in 2021, Saigon Port has been able to exploit high-value cargos (containers, equipment items). With ~40% higher services charges, the gross margin of port operation will be improved to 43.5% in 2025 from the 2016-2020 average of 40%.

① In 2021, Saigon Port has started to attract equipment items (mainly wind turbines) in SGHP port, which is one of the few ports in HCMC have capable of exploitation in the Southern area by using floating cranes. We expect equipment will be a key product of SGHP during 2021-2022, with an expected annual volume of 1.5mn tonnes;

② Saigon Port also has plans to enhance SGHP port infrastructure via upgrading existing floating cranes

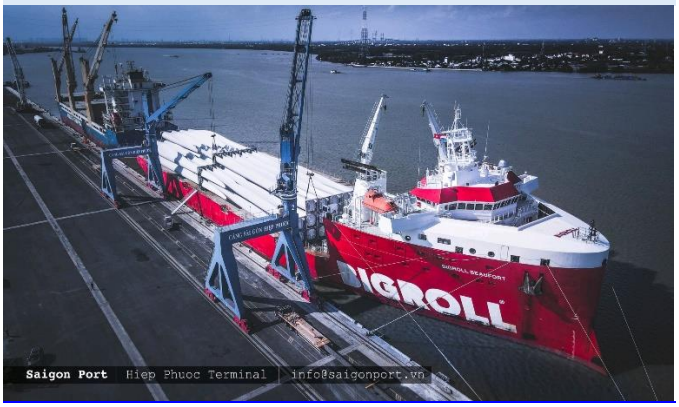
to STS cranes in 2022 in order to exploit containers in the coming years. We estimate that the company will equip 2 STS cranes in the period 2022-2023 with the value of VND60bn, which is suitable for its 800-meter wharves.

Throughput volume of Saigon Port (2017-2025)



Source: Company data, Shinhan Securities Vietnam estimates,
Note: Excluding volume of Saigon Port's joint ventures

Unloading wind turbine at Saigon - Hiep Phuoc terminal



Source: Saigon port, Shinhan Securities Vietnam

Exploiting containers via STS cranes at Tan Thuan port



Source: Saigon port, Shinhan Securities Vietnam

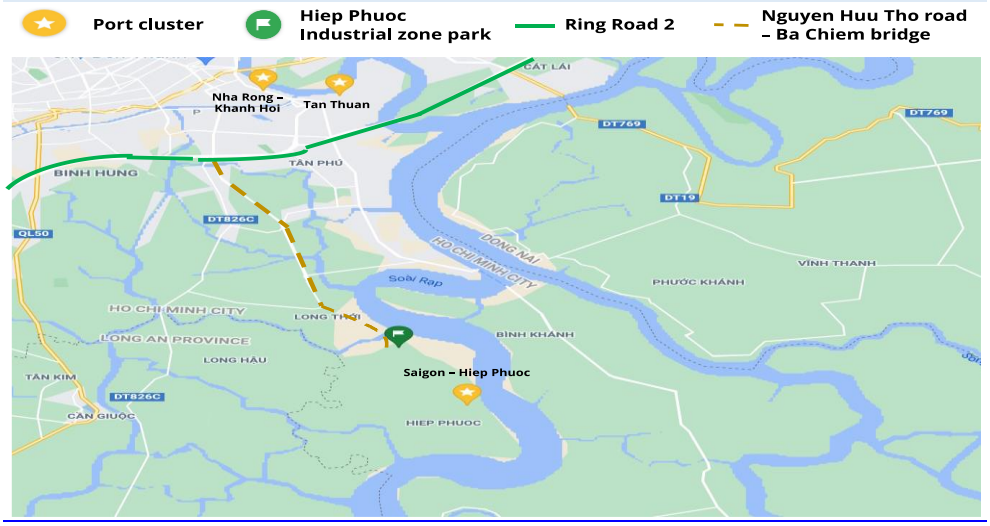
The upgrading seaport infrastructure will be the premise for container exploitation

Compared with the neighboring area, Hiep Phuoc port cluster (including SGHP port) has specific advantages: 1) favorable geographical position (54 kilometers from buoy "No. 0" to Hiep Phuoc area via Soai Rap channel, and only 5 kilometers to Hiep Phuoc industrial park which will save time and costs for vessels traveling to HCMC area); 2) the state of excess capacity in Cat Lai port cluster will prompt shipping lines to seek other destination ports; and 3) Hiep Phuoc area is planned to serve the economic development of the Southern region, and relocate the ports along the Saigon River, according to "Master plan on Vietnam's seaport system development in the 2021 - 2030 period, with a vision toward 2050". The port infrastructure, as the result, will be prioritized for investment and improvement, thereby promoting container exploitation operation in the area, with notable plans are as follows:

① Upgrading the access road into the seaports in Hiep Phuoc area, especially the route of Ring Road 2-Nguyen Huu Tho road – Ba Chiem bridge – Hiep Phuoc industrial park, and funded by seaport infrastructure fee;

② Dredging the Soai Rap channel (expected to be implemented in 2022 by Ministry of Transport) to ensure the operation of container vessels;

Developing plan for seaport infrastructure in Hiep Phuoc area



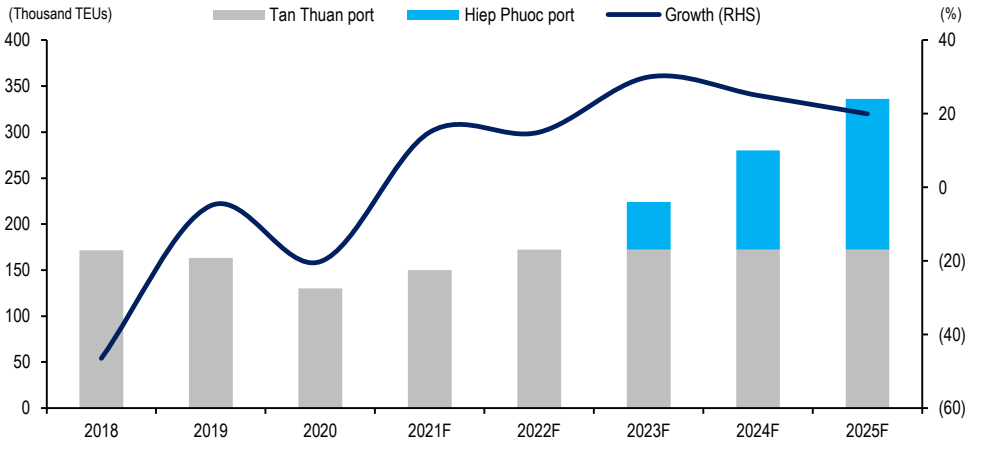
Source: Google Map, Shinhan Securities Vietnam

Operate new container lines from Hai An Transport will ensure the output of container exploitation

Hai An Transport & Stevedoring JSC (HAH VN, non-rated) is one of the leading companies in domestic container routes (Hai Phong - Vung Tau - HCMC route) which have an expansion fleet plan over the next 3 years and vessel size is suitable for SGHP port. Thus, Hai An will be a potential customer for Saigon Port in container terminal operation. From May 2021, Saigon Port has begun to receive container vessels of Hai An transport to Tan Thuan port; and we expect that when SGHP port will start the containers exploitation operation, it can accommodate some container lines from Hai An Transport those can contribute 100,000-150,000 TEU per year. We believe that Hai An will choose Saigon Port as a key partner, due to: 1) Hai An's current partners (Cat Lai, and VICT) are over capacity; 2) the favorable geographical position of SGHP port in HCMC; and 3) ~15% lower service fees than neighboring terminals.

As the result, the container throughput volume of Saigon Port will reach 224,000 TEUs in 2023 and 336,000 TEUs in 2025, respectively; the revenue of containers will account for 35% in 2025 from 21% in 2021 of revenue.

Container throughput volume of Saigon Port (2018-2025)



Source: Company data, Shinhan Securities Vietnam estimates

Bearing fruit from JVs in Cai Mep Thi Vai area

Saigon Port has 3 joint ventures/long-term investments (SSIT, CMIT, and SP-PSA) in deep-water seaports in the CMTV area. Notably, this terminal exhibited the highest throughput volume growth rate among Vietnam seaports (with 2013-2020 CAGR of 33.5%); and we believe this port cluster will maintain the average growth rate of 20% for the next few years, thanks to:

① Deep-water terminals' share in Vietnam seaport system is increasing rapidly, accompanied by the rising number of mother vessels' long-haul services: From 2020, Vietnam has signed major trade agreements (EVFTA, RCEP, UKVFTA), thereby boosting Vietnam's import and export value with strategic partners (EU, Japan, Korea, etc.). As the result, the number of long-haul shipping lines has soared significantly – exploit mother vessels that have a total size up to 200,000 DWT and connect Vietnam with EU/Eastern U.S. Deep-sea ports, with the ability to accommodate mother vessels, will occupy an increasingly important position in the cargo flow;

② Saving time and cost for shippers: By not using feeder vessels to collect goods (in Cat Lai Port) and transport to transshipment centers, import/export enterprises can reduce 50% of transportation and handling costs at transshipment hubs. The shipping time has also been decreased (exporting goods to the U.S only takes 17 days, thereby reducing shipping time by 3-5 days);

③ According to "Master plan on Vietnam's seaport system development in the 2021 - 2030 period, with a vision toward 2050", CMTV area is planned to be an international gateway port, not only to meet the demand for import/exports of goods from Vietnam but also to attract feeder vessels from South East Asia countries to serve as a transshipment hub. Therefore, traffic projects will be prioritized for investment, those that connect the port with the National Route 51 - Long Thanh Dau Giay expressway and other provinces;

Among 3 investments, Saigon Port has made 100% provision for contributed capital in CMIT and SP-PSA, because the accumulated losses are exceeding charter capital (In 2020, accumulated loss of CMIT and SP-PSA is VND3.44tn and VND2.67tn, respectively, compared with their charter capital is VND1.11 tn and VND1.34 tn). As a result, Saigon Port has only recognized profit from SSIT since 2020. However, in 2021, Saigon Port will contribute an additional USD18 mn (~VND409 bn) to the SP-PSA joint venture to: 1) Pay off the long-term debt, and 2) Invest in equipment for containers exploitation. We expect that Saigon Port can recognize profit from SP-PSA since 2023 – when they can exploit containers and attract intra-Asia Pacific shipping routes. For 2021-2025, Saigon Port can recognize a total profit of VND1.32tn from their joint ventures.

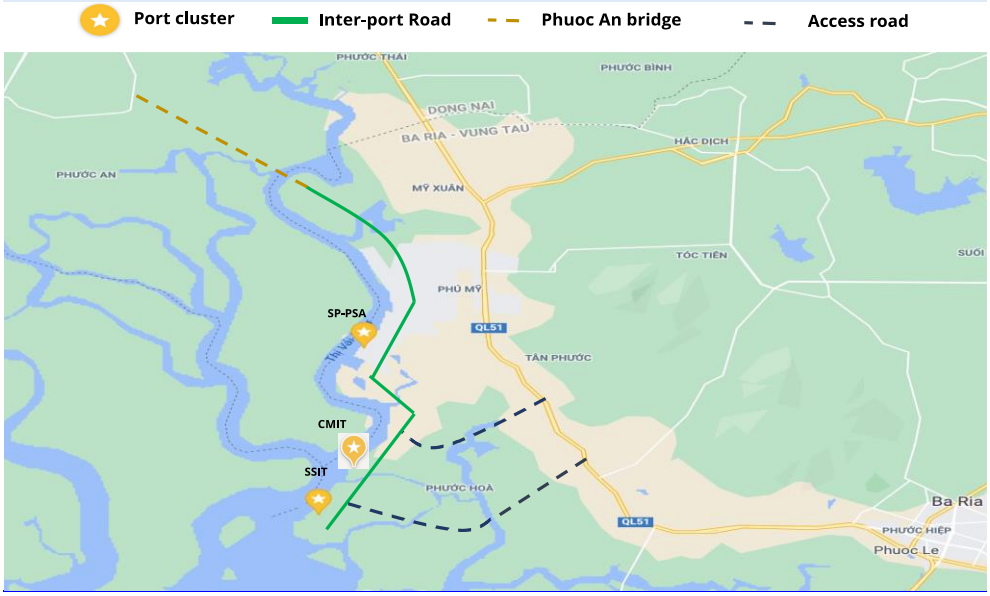
Besides, these joint ventures can support Saigon Port's business activities in HCMC, export containers will be collected at HCMC port clusters (Tan Thuan port, Saigon - Hiep Phuoc port); then feeder vessels will transport the cargos to the deep-sea ports at Cai Mep Thi Vai, and they will be loaded into the mother vessels. The process with import containers will be reversed.

Cai Mep Thi Vai - the transshipment hub in EU – Vietnam – America shipping line



Source: CMA CGM, Shinhan Securities Vietnam

Developing plan for seaport infrastructure in Cai Mep Thi Vai area



Source: Google Map, Shinhan Securities Vietnam

Joint ventures of Saigon Port in Cai Mep Thi Vai area

Terminal	Strategic partner	Business orientation
SP-PSA International Port (SP-PSA)	PSA - the second largest port operator in the world - owns a network of deep-sea ports in Asia	• Location: Located far from Thi Vai river mouth, only can accommodate mother vessel with total size up to 120,000 DWT • After paying off the long-term debt in 2021 (recording other profit of VND772 bn), SP-PSA expects to have enough resources to exploit containers from 2023, thereby starting to record profits • Focusing on agricultural cargos, exploiting intra-Asia Pacific shipping routes with supports from PSA
SP-SSA International Terminal (SSIT)	SSA Marine – top 10 port operator in the world - owns a network of deep-sea ports located along the US West Coast	• Location: Located near Thi Vai river mouth, can accommodate mother vessel with total size up to 200,000 DWT • Exploiting Vietnam – US West Coast shipping routes with supports from SSA • Expecting to be at full capacity since 2023
Cai Mep International Terminal (CMIT)	APM Maersk – the largest Shipping Alliance	• Location: Located near Thi Vai river mouth, can accommodate mother vessel with total size up to 200,000 DWT • Accumulated loss is 3.1 times higher than charter capital so that Saigon Port cannot recognize profit from CMIT within the next 5 years

Source: Company data, Shinhan Securities Vietnam

SP-PSA annual earning trend and outlook

(Unit: bn VND)	2019	2020	2021F	2022F	2023F	2024F	2025F
Volume (thousand TEU)	**-**	**-**	**-**	**50**	**150**	**200**	**250**
Utilization (%)	-	-	-	3	10	13	17
Sales	207	210	218	238	312	363	422
EBITDA	128	124	116	120	180	220	257
Net profit	**(167)**	**(100)**	**772**	**(34)**	**29**	**78**	**132**
Income to SGP parent	**-**	**-**	**278**	**(12)**	**10**	**28**	**48**
Margin (%)							
EBITDA margin	61.7	58.7	53.1	50.5	57.7	60.6	60.8
NPM	(80.5)	(47.5)	354.1	(14.3)	9.2	21.3	31.3
Growth (%YoY)							
Volume	-	-	-	-	200.0	33.3	25.0
Sales	38.6	1.7	3.6	9.2	31.1	16.3	16.3
EBITDA	138.2	(3.3)	(6.2)	3.9	49.6	22.2	16.6

Source: Company data, Shinhan Securities Vietnam

SSIT annual earning trend and outlook

(Unit: bn VND)	2019	2020	2021F	2022F	2023F	2024F	2025F
Volume (thousand TEU)	**229**	**553**	**691**	**830**	**1,000**	**1,150**	**1,200**
Utilization (%)	21	50	63	75	91	105	109
Sales	370	674	843	1,096	1,321	1,519	1,585
EBITDA	144	340	506	692	836	961	1,000
Net profit	**(225)**	**18**	**190**	**379**	**534**	**634**	**666**
Income to SGP parent	**(87)**	**7**	**74**	**148**	**208**	**247**	**259**
Margin (%)							
EBITDA margin	38.8	50.4	60.0	63.1	63.3	63.3	63.1
NPM	(60.7)	2.6	22.6	34.6	40.5	41.8	42.0
Growth (%YoY)							
Volume	349.0	141.5	25.0	20.1	20.5	15.0	4.3
Sales	75.6	82.3	25.0	30.1	20.5	15.0	4.3
EBITDA	39.9	136.9	48.8	36.8	20.8	15.0	4.1
NP	N/A	N/A	981.8	99.2	40.9	18.7	4.9

Source: Company data, Shinhan Securities Vietnam

Holding the "golden land" in HCMC city central

Saigon Port is holding 5.6% shares of Vien Dong Pearl Urban Development & Investment Co., Ltd – the joint ventures between Saigon Port, Vingroup (VIC VN) and Ben Nghe Infrastructure Development Co., Ltd (a subsidiary of Van Thinh Phat Group, non-listed). Vien Dong Pearl will develop the Nha Rong - Khanh Hoi complex project with the most favorable location in HCMC, which stretches along the Saigon River and is located on the front of Nguyen Tat Thanh Street, District 4. The project scale consists of 2 areas: 1) high-rise buildings with mixed functions including a shopping mall and high-end apartments; and 2) a cruise port for passenger ships. However, the project is being delayed because the relocation of ports along the Saigon River (including Nha Rong - Khanh Hoi port) has not been completed and the HCMC land-use policy has changed.

In March 2021, Permanent members of the Government have considered the relocation and assigned the finance ministry to coordinate with other relevant ministries, agencies, and Ho Chi Minh City to set forth an assessment plan, and submit it to the government and Prime Minister for consideration. The successful relocation of Nha Rong – Khanh Hoi port will: 1) bring Sai Gon Port at least VND1.2tn, in terms of other profits (including VND600bn from Government budget and VND800bn from Vien Dong Pearl Ltd,), because of accounting advanced fund to support the relocation of Nha Rong - Khanh Hoi port (SGP have fully received the fund since 2018), and 2) When the project completes and opened for sale, Saigon Port can get benefit from holding shares of Vien Dong Pearl.

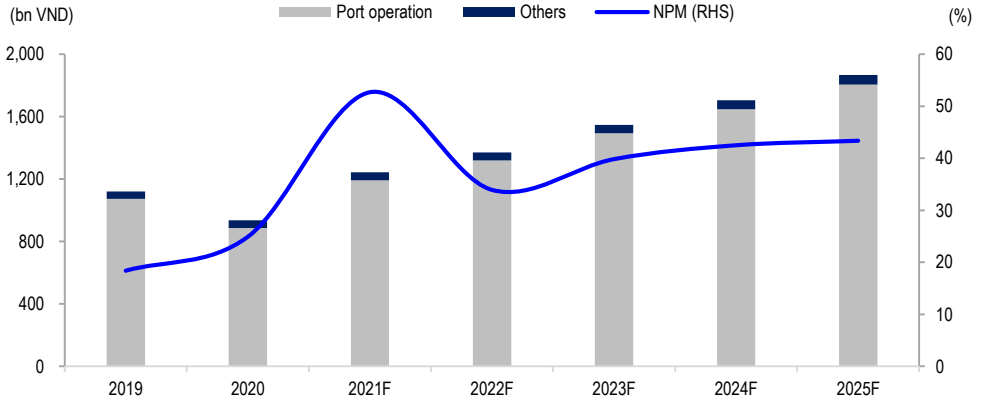
Earnings estimates

The gross margin of port operation is significantly improved from 2022

We believe Saigon Port's gross profit to exhibit CAGR of 19.1% between 2021 and 2025, which is mostly driven by: 1) Saigon Port's total exploitation capacity will increase by 32% after they officially exploited all 3 wharves of Saigon Hiep Phuoc terminal, 2) Upgrading Hiep Phuoc port infrastructure in 2022 to serve the goal of container exploitation in the coming years. In 2023, we forecast that Saigon Port will increase their service fee in HCMC and Cai Mep area by 10%; mainly due to their lower-than-average fee, compared with neighboring terminals. In the period 2021-2022, we expected that Saigon Port's net profit will arrive at VND658bn (+182.3% YoY) and VND469bn (-29%YoY), respectively.

Besides, Saigon Port also record significant profit from their joint ventures (SP-PSA and SSIT), especially SP-PSA with VND278bn profit from restructuring long-term debt. As the result, we expect that net profit will record a 2021-2025 CARG of 28.6%.

Sales and net profit margin (2019-2025F)



Source: Company data, Shinhan Securities Vietnam

Saigon Port's annual earning trend and outlook

(Unit: bn VND)	2019	2020	2021F	2022F	2023F	2024F	2025F
Sales	**1,121**	**936**	**1,243**	**1,372**	**1,548**	**1,706**	**1,867**
① Port operation	1,072	886	1,193	1,319	1,493	1,648	1,806
② Others	49	50	51	53	55	58	61
GP	460	338	482	532	640	726	812
OP	306	201	298	330	412	474	537
Net profit	**206**	**233**	**658**	**469**	**620**	**729**	**814**
Margin (%)							
GPM	41.0	36.2	38.7	38.8	41.4	42.5	43.5
OPM	27.3	21.4	24.0	24.0	26.6	27.8	28.8
NPM	18.4	24.9	52.9	34.2	40.1	42.7	43.6
Growth (%YoY)							
Sales	4.0	-16.5	32.8	10.3	12.9	10.2	9.4
GP	-0.7	-26.5	42.3	10.4	20.4	13.3	11.9
OP	-5.6	-34.5	48.8	10.4	25.1	15.1	13.3
NP	13.6	13.0	182.3	-28.8	32.4	17.5	11.6

Source: Company data, Shinhan Securities Vietnam

Saigon Port's quarterly earning trend and outlook

(Unit: bn VND)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21F	1Q22F	2Q22F	3Q22F	4Q22F	2020	2021F	2022F
Revenue	**244**	**235**	**215**	**242**	**317**	**377**	**302**	**248**	**350**	**415**	**333**	**274**	**936**	**1,243**	**1,371**
Gross profit	85	86	70	97	119	160	111	91	131	176	123	101	338	482	531
Operating profit	59	74	39	28	88	129	55	26	97	143	61	29	200	298	329
Net profit	**21**	**72**	**30**	**110**	**97**	**140**	**59**	**363**	**107**	**154**	**65**	**143**	**233**	**658**	**469**
Margin (%)															
GPM	35.0	36.5	32.6	40.1	37.5	42.5	36.9	36.8	37.5	42.5	36.9	36.8	36.1	38.7	38.7
OPM	24.4	31.5	18.1	11.6	27.8	34.3	18.3	10.5	27.8	34.3	18.3	10.5	21.4	24.0	24.0
NPM	8.5	30.6	14.0	45.4	30.7	37.0	19.5	146.2	30.7	37.0	19.5	52.3	24.9	52.9	34.2
Growth (% YoY)															
Sales	(15.7)	(26.6)	(7.8)	(14.0)	30.1	60.4	40.1	2.5	10.3	10.3	10.3	10.3	(16.5)	32.8	10.3
GP	(21.2)	(35.2)	(35.0)	(14.3)	39.2	86.4	58.9	(5.8)	10.3	10.3	10.3	10.3	(26.5)	42.3	10.4
OP	(24.6)	(31.8)	(43.5)	(47.9)	48.3	74.8	41.3	(6.9)	10.3	10.3	10.3	10.3	(34.5)	48.8	10.4
NP	(45.6)	(15.4)	49.8	873.5	368.3	94.0	95.0	229.7	10.3	10.3	10.3	(60.6)	13.0	182.3	(28.8)

Source: Company data, Shinhan Securities Vietnam

Risks

Worse-than-expected competition in port operation. In HCMC and Cai Mep Thi Vai – the areas where Saigon Port is operating – there are major ports of key competitors, with: Saigon New Port (non-listed) have Tan Cang Cat Lai and Tan Cang Hiep Phuoc in HCMC, TCOT, and TCIT in Cai Mep area; Gemadept (GMD VN) has Gemalink in Cai Mep area. These are large-scale port operators who have good relationships with major shipping lines, and they can entice Saigon Port's customers and affect their throughput volume.

The impact of HCMC infrastructure fees collection. From 2Q2022, HCMC expects to collect fees for infrastructure development, public services, and utilities at seaports, with a fee range is from VND15,000 to VND4.4 mn (USD0.65 – USD189.5) for a 40-foot container. For the short-term view, we think that some shippers will consider sending their cargo to other port clusters – most likely is the Cai Mep Thi Vai area – to avoid the fee. However, we believe Saigon – Hiep Phuoc port can maintain the growth rate as expected, thanks to its favorable geographical position

Policy risk. Any significant change in Vietnam seaport planning, especially the "Master plan on Vietnam's seaport system development in the 2021 - 2030 period, with a vision toward 2050" may affect the long-term growth of throughput volume in port clusters. Downside risk may come from: 1) Longer-than-expected Soai Rap channel dredging process, and 2) Longer-than-expected Saigon River's ports relocation

Company background

History

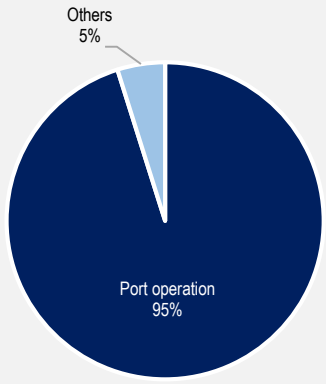
Saigon Port JSC was founded in 1860 under the French colonialism period with the name of Commercial Port Bureau of Saigon. From1975, it was renamed Saigon Port, under the Decision of the General Directorate of Transport and Communications, and operates as a one-member limited liability company

In 2015, the company was equitized and changed its name to Saigon Port JSC., with a charter capital was VND60bn. Saigon Port shares were listed on the Unlisted Public Company Market (UPCOM) in 2016.

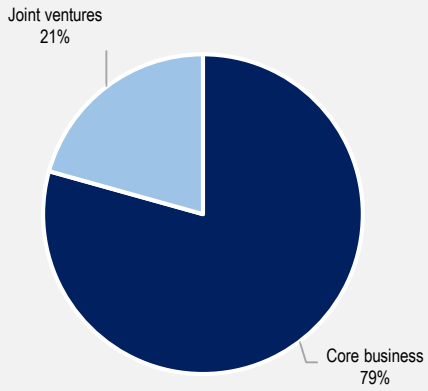
Business mixed

Saigon Port (SGP VN) is the second-largest port operator in Hochiminh city (HCMC), which stands out with its 03 major ports; and they also have joint ventures in deep-water seaports, which located in Cai Mep Thi Vai area (SSIT, CMIT, and SP-PSA). The company's revenue mainly comes from port operations, including loading/unloading cargos at the wharf/yard and leasing warehouse/yard. By 2021, the company also record significant profit from the joint ventures, with the significant growth in throughput volume having helped them to break even.

Revenue breakdown in 9M.2021



Net profit breakdown in 9M.2021



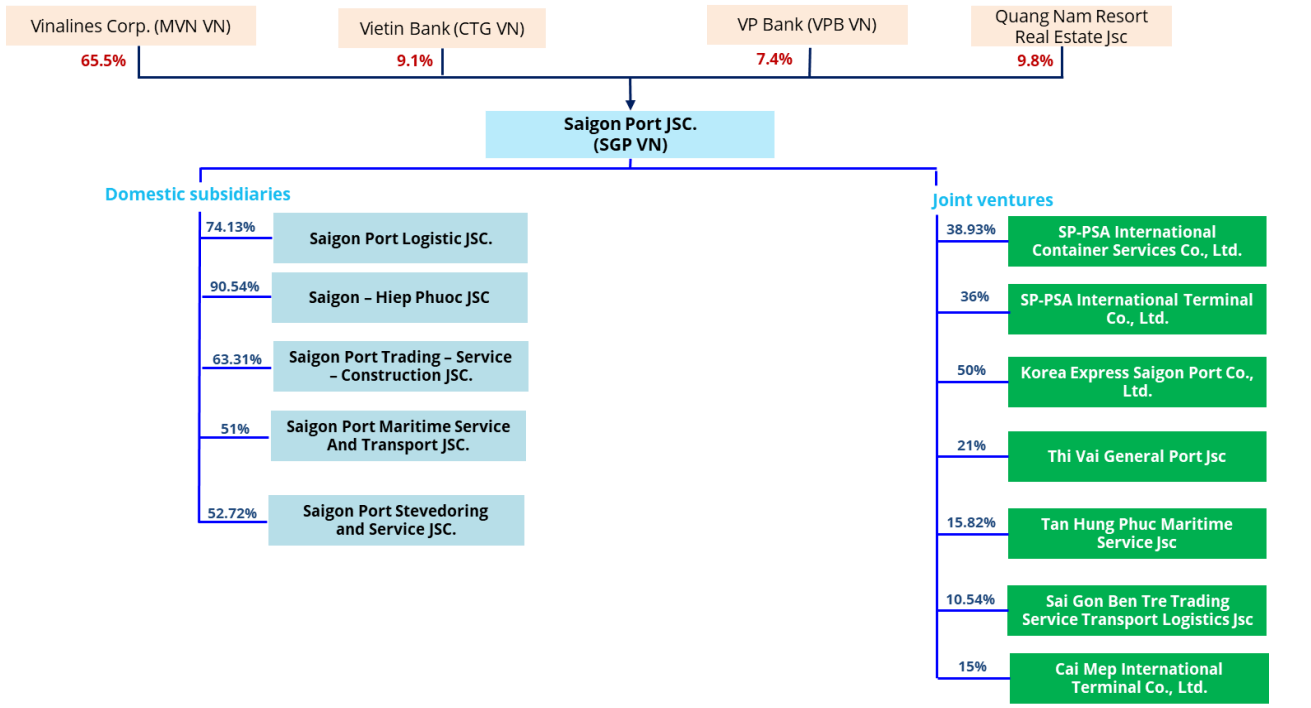
Source: Company Data, Shinhan Securities Vietnam

Shareholder structure

Saigon Port's free float is quite low, with 91.8% of total shares being held by major shareholders, The state still holds a majority stake of 65.5% via the representative of Vinalines (MVN VN). The company has 2 major shareholders, who are commercial banks with the conversion of debt into shares, including Vietinbank (CTG VN, 9.1%) and VPBank (VPB VN, 7.4%). The other major shareholder is Quang Nam Resort Real Estate Jsc (non-listed, 9.8%)

By the date of (report date), the total foreign ownership of the company is at 0.02%, while the limitation is at 49%.

Saigon Port's corporate governance structure in 2021



Source: Company data, Shinhan Securities Vietnam

Appendix : Financial statements

Statement of financial position

Year to Dec. (bn VND)	2019	2020	2021F	2022F	2023F
Total assets	**4,736**	**4,902**	**5,665**	**5,677**	**5,905**
Current assets	1,589	1,685	2,193	2,145	2,232
Cash & equivalents	195	170	536	397	318
Short-term financial asset	910	963	995	1,029	1,084
Accounts receivable	276	354	357	427	458
Inventories	51	11	56	17	62
Non-current assets	3,147	3,217	3,472	3,531	3,673
Net fixed assets	2,244	2,259	2,155	2,073	1,990
Investment assets	642	647	1,005	1,147	1,371
Other long-term assets	262	312	312	312	312
Total liabilities	**2,699**	**2,640**	**2,767**	**2,677**	**2,769**
Current liabilities	497	374	539	486	616
Accounts payable	155	119	230	154	261
Short-term borrowings	78	67	67	67	67
Others	265	188	241	265	288
Non-current liabilities	2,201	2,266	2,228	2,191	2,153
Long-term borrowings	256	189	151	113	76
Other financial liabilities	1,946	2,077	2,077	2,077	2,077
Total shareholders' equity	**2,037**	**2,262**	**2,897**	**3,000**	**3,136**
Capital stock	2,163	2,163	2,163	2,163	2,163
Capital surplus	-	-	-	-	-
Other capital	172	171	171	172	172
Retained earnings	(297)	(72)	563	665	801
Non-controlling interest equity	-	-	-	-	-
*Total debt	333	256	218	180	143
*Net debt (cash)	139	86	(318)	(217)	(175)

Statement of comprehensive income

Year to Dec. (bn VND)	2019	2020	2021F	2022F	2023F
Revenue	**1,121**	**936**	**1,243**	**1,372**	**1,548**
Growth (%)	4.0	(16.5)	32.8	10.3	12.9
COGS	**(661)**	**(597)**	**(762)**	**(840)**	**(908)**
Gross profit	**460**	**338**	**482**	**532**	**640**
GPM (%)	41.0	36.2	38.7	38.8	41.4
SG&A	**(154)**	**(138)**	**(183)**	**(202)**	**(228)**
Operating profit	**306**	**201**	**298**	**330**	**412**
Growth (%)	(5.6)	(34.5)	48.8	10.4	25.1
OPM (%)	27.3	21.4	24.0	24.0	26.6
Non-operating profit	**53**	**78**	**72**	**74**	**76**
Financial income	65	93	83	83	83
Financial expense	(11)	(6)	(16)	(14)	(12)
In which: interest expenses	(7)	(5)	(15)	(13)	(11)
Net other non-operating profit	(0)	(8)	4	4	5
Pre-tax profit	**279**	**286**	**729**	**545**	**713**
Income tax	(73)	(53)	(70)	(77)	(93)
Net profit	**206**	**233**	**658**	**469**	**620**
Growth (%)	13.6	13.0	182.3	(28.8)	32.4
NPM (%)	18.4	24.9	52.9	34.2	40.1
Controlling interest	203	230	655	466	617
Non-controlling interest	3	3	3	3	3
EBIT	**286**	**291**	**743**	**558**	**724**
Growth (%)	8.1	1.9	155.1	(24.9)	29.8
EBIT Margin (%)	25.5	31.1	59.8	40.7	46.8
EBITDA	**414**	**411**	**847**	**670**	**837**
Growth (%)	23.8	(0.8)	106.1	(20.9)	24.9
EBITDA margin (%)	36.9	43.9	68.1	48.8	54.1

Statement of cash flow

Year to Dec.(bn VND)	2019	2020	2021F	2022F	2023F
Cash flow from operations	**(22)**	**(98)**	**723**	**384**	**662**
Net profit	206	233	658	469	620
Depreciation expense	128	120	104	112	113
Amortization expense	-	-	-	-	-
Interest expenses	(7)	(5)	(15)	(13)	(11)
Change in working capital	(91)	(177)	46	(111)	14
Others	(258)	(269)	(71)	(73)	(74)
Cash flow from investments	**(62)**	**(86)**	**(308)**	**(123)**	**(227)**
Change in tangible assets	(104)	(70)	-	(30)	(30)
Change in investment assets	(14)	(58)	(390)	(176)	(279)
Others	56	42	83	82	82
Free cash flow	**(126)**	**(168)**	**723**	**354**	**632**
Cash flow from financing	**(76)**	**45**	**(49)**	**(399)**	**(515)**
Change in equity	-	-	-	-	-
Net borrowing	(74)	45	(49)	(50)	(51)
Dividends	(2)	-	-	(349)	(463)
Change in total cash	**(161)**	**(140)**	**366**	**(139)**	**(79)**
Beginning cash	158	195	170	536	397
Change in FX rates	-	-	-	-	-
Ending cash	195	170	536	397	318

Source: Company data, Shinhan Securities Vietnam

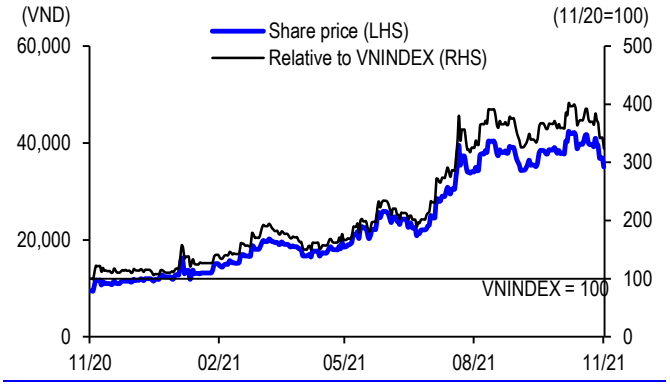
Key ratios

Year to Dec.	2019	2020	2021F	2022F	2023F
EPS (VND)	3,286	3,214	2,939	2,088	2,769
BPS (VND)	9,347	11,670	13,396	13,869	14,497
DPS (VND)	9	-	-	1,614	2,141
PER (x)	10.7	10.9	11.9	16.8	12.7
PBR (x)	3.8	3.0	2.6	2.5	2.4
EV/EBITDA (x)	17.6	17.7	8.6	10.9	8.7
Dividend payout ratio (%)	1.0	-	-	75.0	75.0
Dividend yield (%)	0.0	0.0	0.0	4.6	6.1
Profitability					
EBITDA margin (%)	36.9	43.9	68.1	48.8	54.1
OPM (%)	27.3	21.4	24.0	24.0	26.6
NPM (%)	18.4	24.9	52.9	34.2	40.1
ROA (%)	4.4	4.8	12.9	8.3	10.7
ROE (%)	10.5	10.8	27.4	15.9	20.2
Stability					
Debt to equity ratio (%)	16.4	11.3	7.5	6.0	4.5
Net debt to EBITDA ratio (x)	0.3	0.2	(0.4)	(0.3)	(0.2)
Cash ratio (%)	39.1	45.5	99.5	81.7	51.6
Interest coverage ratio (x)	39.9	55.1	50.4	43.4	66.1
Activity (%)					
Working capital turnover (times)	1.1	0.8	0.8	0.8	0.9
Inventory turnover (days)	27.3	18.7	14.7	7.5	15.9
Receivable turnover (days)	92.5	122.8	104.4	104.4	104.4

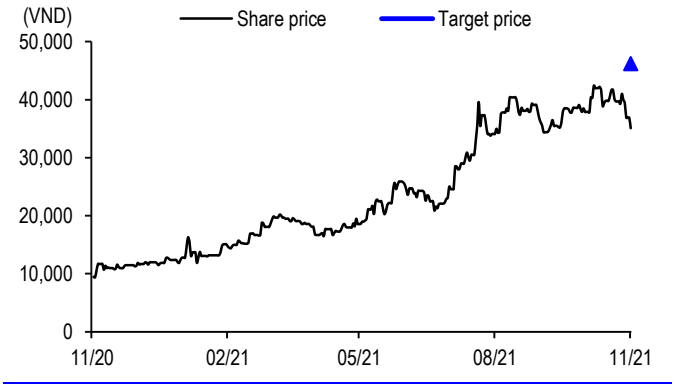
Source: Company data, Shinhan Securities Vietnam

Saigon Port JSC. (VTP VN)

Share performance



Target price



Date	Rating	Target price (VND)	Target price gap (%) Average	Max/Min
November 22, 2021 (Initiate)	BUY	46,200	N/A	N/A

Note: Calculation of target price gap based on past 6 months

Shinhan Securities Vietnam

Stock	Sector
◆ **BUY:** Expected 12-month gain of 20% or more ◆ **Trading BUY:** Expected 12-month gain of 15% to 20% ◆ **HOLD:** Expected 12-month gain of 15% to loss of -15% ◆ **REDUCE:** Expected 12-month loss of 15% or more	◆ **OVERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated BUY ◆ **NEUTRAL:** Based on market cap, largest share of sector stocks under coverage is rated Trading BUY or HOLD ◆ **UNDERWEIGHT:** Based on market cap, largest share of sector stocks under coverage is rated SELL

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