February 24th, 2023

Shinhan Securities



Hai An Transport & Stevedoring Joint Stock Company

[Vietnam / Logistics]

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

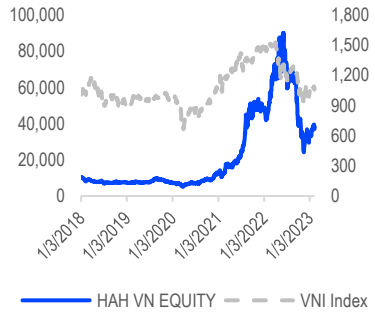
HOLD

Update

Target price (12 months)	**39,000 VND**
Current price (23/02/23)	36,200 VND
Upside/downside (%)	7.7%

VNINDEX			1,054
HNXINDEX			209
Market Cap (bn VND)			2,534
Outstanding shares (mn)			70
Free-Floating (mn)			42
52-Wk High/Low (VND)			92,900/22,400
90-day avg. trading volume (mn)			1.81
90-day avg. turnover (bn VND)			66
Major shareholders (%)	Hai Ha Investment and Transport JSC		12
	Sao A D.C Investment JSC		10.38
Performance	3T	6T	12T
Absolute (%)	21.8	-45	-34.7
Relative to VN-Index (%)	11.9	-26.6	-4.4

Source: Bloomberg



Staying steadfast in turbulent times

Maintain HOLD rating and target price of VND 39,000

Hai An Transport & Stevedoring Company (HAH) is a pioneer in shipping sector in Viet Nam. Based on DCF methods, we update HAH's target price at VND 39,000, given a 30% decrease in shipping revenue in 2023F. We anticipate HAH's financial performance to cool down in 2023 after hitting a record high in 2022 but to remain higher than historical standards.

Update business results in 2022 and prospects

In Q4/2022, HAH recorded revenue of VND 845 bn (+25.9% y.o.y) and NPAT-Mi of VND 171 bn (-15.7% y.o.y). Shipping service was still the main contribution to revenue in Q4/2022, accounting for nearly 95% revenue. In 2022, HAH's revenue increased 63.9% to VND 3,205 bn and its NPAT-Mi surged 86.2% to VND 829 bn, which were boosted by HAH's core businesses and net income from affiliates.

- Stevedoring revenue was nearly unchanged at VND 213 bn. We don't see any significant change in this segment revenue as Hai An port runs overcapacity.
- Shipping revenue advanced by 70.8% y.o.y, reaching VND 2,729 bn, which was primarily driven by (1) surging sea freight rates and time charter rate and (2) its strong fleet expansion.

The global sea freight rates have dropped since 6/2022, due to the declining of global commerce volumes, resulting in the oversupplied of fleets and containers in shipping market. In 2023, the shipping carriers may enter the discount rate phase to increase the competitiveness. The average freight rates in 2023 are expected to decrease by 60% compared to 2022 and get balanced. However, half of Hai An's fleet is leased out for a term 1-2 years at a high fixed rental price so we forecast revenue and net profit in 2023F to reach to VND 2,567 bn (-30% y.o.y) and VND 811 bn (-22% y.o.y), respectively.

Besides, we still see some positive factors in container shipping market, including (1) China is re-opening its economy, which will boost global trade activities, (2) the oil price will trade at an average $80 in 2023F, which will reduce fuel cost for shipping companies.

Risk: (1) a sharp decrease of world sea freight rates, (2) a global recession and (3) sharply rising

Year to Dec.	2022	2023F	2024F	2025F	2026F
Revenue (bn VND)	**3,206**	**2,567**	**2,903**	**2,948**	**2,868**
OP (bn VND)	1,300	962	1,224	1,275	1,251
NP (bn VND)	**1,041**	**811**	**979**	**1,020**	**1,001**
EPS (VND)	11,699	10,496	12,668	13,201	12,951
BPS (VND)	32,852	44,386	58,307	72,814	87,045
OPM	40.5%	37.5%	42.2%	43.2%	43.6%
NPM	32.5%	31.6%	33.7%	34.6%	34.9%
ROE	**36.1%**	**21.5%**	**20.2%**	**17.2%**	**14.2%**
PER (x)	3.3	3.7	3.1	2.9	3.0
PBR (x)	1.2	0.9	0.7	0.5	0.4
EV/EBITDA (x)	1.4	1.7	1.4	1.3	1.2

Source: Company data, Shinhan Securities Vietnam

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Valuation and Recommendation

Initiate coverage with HOLD rating and target price of VND 39,000

We apply a DCF valuation method to value HAH. We update our HOLD recommendation with a target price of 39,000 VND equivalent to a return of 7.7%.

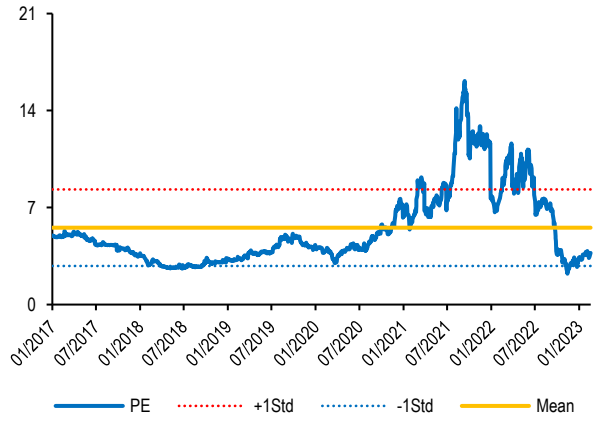
Valuation

DCF valuation					
Unit: billion VND	**2023F**	**2024F**	**2025F**	**2026F**	**2027F**
NPAT-Mi	738	891	929	911	1,111
Plus: After-tax interest expense	64	75	84	93	103
Plus: Depreciation & Amortization	383	462	551	652	771
Minus: Change in working capital	-122	76	8	-17	69
Minus: CapEx	765	924	992	1,173	1,419
Free Cash Flow (FCF)	542	428	564	500	497
PV of FCF	1,760				
Growth rate	0%				
Present value of long-term value	1,722				
Enterprise value	**3,482**				
Debt	1,332				
Cash and cash equivalents	556				
Equity value	**2,716**				
Number of shares outstanding (mn units)	70				
Target price (VND)	**39,000**				

WACC	**13.5%**
Risk-free rate	5%
Equity risk premium	11.13%
Beta	0.8
Debt cost	8%
The cost of equity	16.4%
Debt-to-equity ratio	53.5%
Total debt (VND bn)	1,322

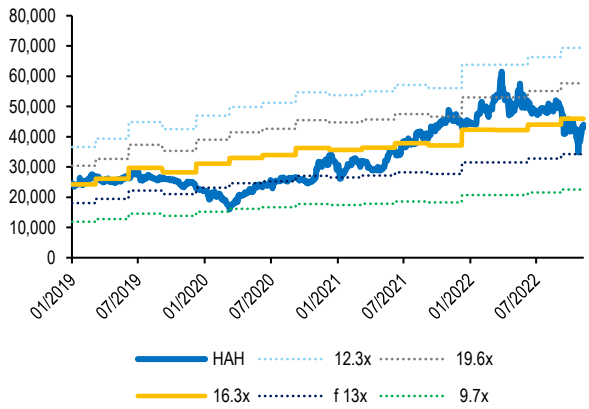
Source: Company data, Shinhan Securities Company

HAH's PER from 2017



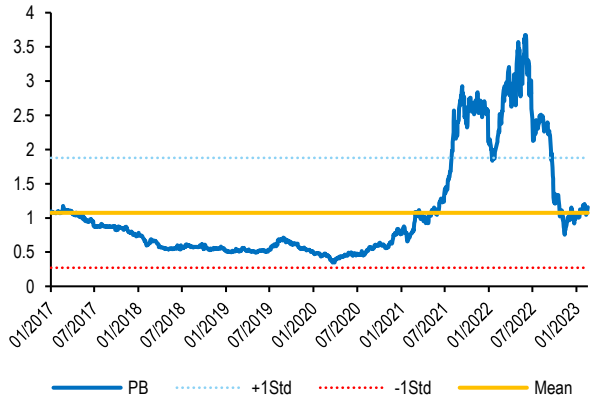
Source: Bloomberg, Company data, Shinhan Securities Vietnam

PER band chart of HAH



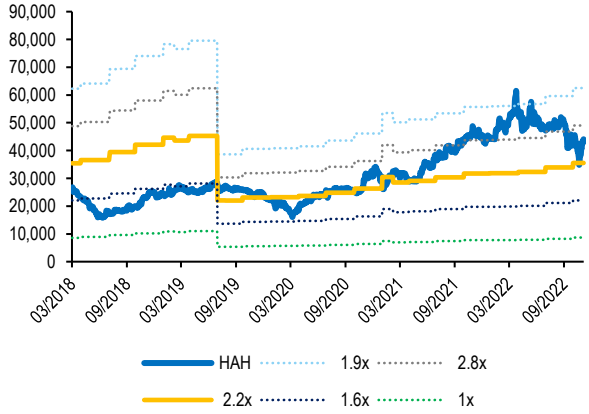
Source: Bloomberg, Company data, Shinhan Securities Vietnam

HAH's PBR from 2017



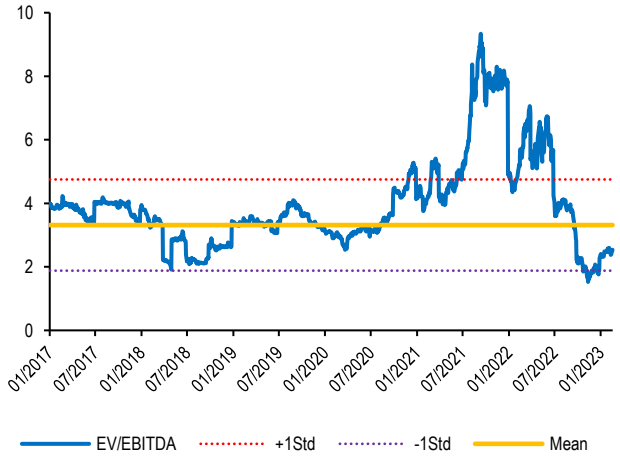
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PBR band chart of HAH



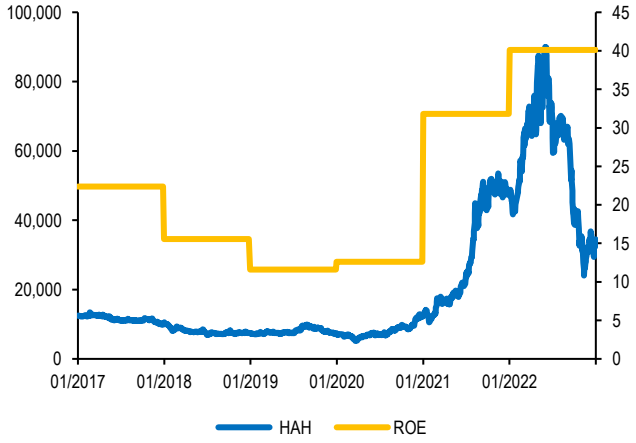
Source: Bloomberg, Company data, Shinhan Securities Vietnam

HAH's EV/EBITDA from 2017



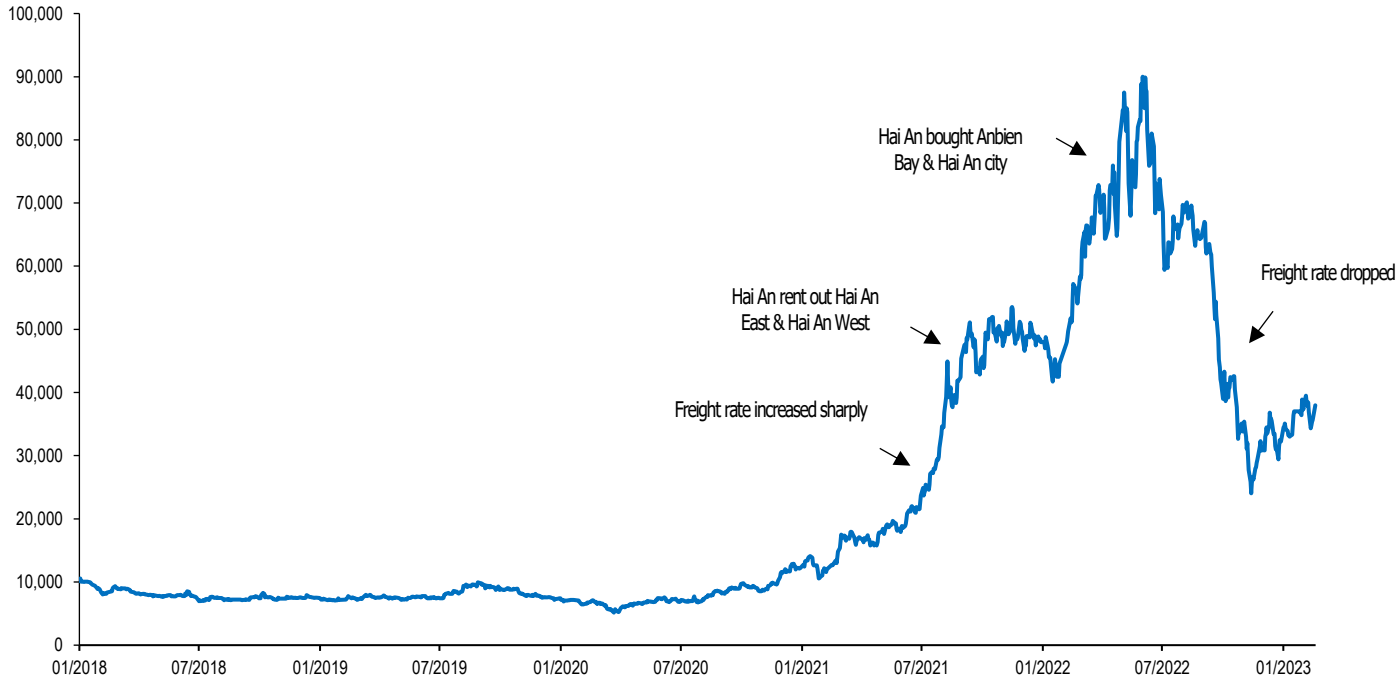
Source: Bloomberg, Company data, Shinhan Securities Vietnam

Correlation of HAH's price and ROE



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Key event chart of HAH



Source: Bloomberg, Company data, Shinhan Securities Vietnam

Appendix: Financial statements

Statement of financial position

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Total assets	3,232	5,039	6,107	7,420	8,743
Current assets	1,287	1,744	2,277	2,970	3,689
Cash & equivalents	485	415	1,161	1,748	2,453
Short-term financial asset	87	140	140	140	140
Accounts receivable	633	979	778	880	893
Inventories	48	78	66	70	71
Non-current assets	1,945	3,294	3,722	4,229	4,716
Net fixed assets	1,536	2,744	3,172	3,679	4,166
Investment assets	7	45	45	45	45
Other long-term assets	403	505	505	505	505
Total liabilities	1,330	2,162	2,336	2,582	2,792
Current liabilities	621	910	784	830	840
Accounts payable	79	148	125	132	134
Short-term borrowings	234	318	283	299	303
Others	308	444	376	398	403
Non-current liabilities	710	1,252	1,552	1,752	1,952
Long-term borrowings	559	1,004	1,304	1,504	1,704
Other financial liabilities	151	248	248	248	248
Total shareholders' equity	1,902	2,886	3,770	4,838	5,950
Capital stock	488	703	703	703	703
Capital surplus	192	192	192	192	192
Other capital	280	391	391	391	391
Retained earnings	592	1,025	1,836	2,816	3,836
Non-controlling interest equity	350	575	648	736	828
*Total debt	793	1,322	1,587	1,804	2,007
*Net debt (cash)	-220	-767	-286	84	586

Statement of comprehensive income

Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Revenue	1,955	3,206	2,567	2,903	2,948
Growth		63.9%	-19.9%	13.1%	1.5%
COGS	1,241	1,784	1,500	1,588	1,608
Gross profit	714	1,422	1,067	1,315	1,340
GPM	36.5%	44.4%	41.6%	45.3%	45.5%
SG&A	85	114	90	102	103
Operating profit	642	1,300	962	1,224	1,275
Growth		102.5%	-26.0%	27.3%	4.1%
OPM	32.8%	40.5%	37.5%	42.2%	43.2%
Non-operating profit	-7	-38	-48	-25	-1
Financial income	26	39	50	86	121
Financial expense	33	76	98	111	122
In which: interest expenses	32	57	79	92	103
Net other non-operating profit	20	-27	30	-27	-27
Pre-tax profit	662	1,273	992	1,197	1,248
Income tax	112	232	181	218	227
Net profit	551	1,041	811	979	1,020
Growth		89.1%	-22.1%	20.7%	4.2%
NPM	28.2%	32.5%	31.6%	33.7%	34.6%
Controlling interest	446	823	738	891	929
Non-controlling interest	105	218	73	88	92
EBIT	629	1,308	977	1,214	1,237
Growth		107.9%	-25.3%	24.2%	1.9%
EBIT Margin	32.2%	40.8%	38.1%	41.8%	42.0%
EBITDA	793	1,587	1,360	1,675	1,788
Growth		100.2%	-14.3%	23.2%	6.7%
EBITDA margin	40.5%	49.5%	53.0%	57.7%	60.7%

Statement of cash flow

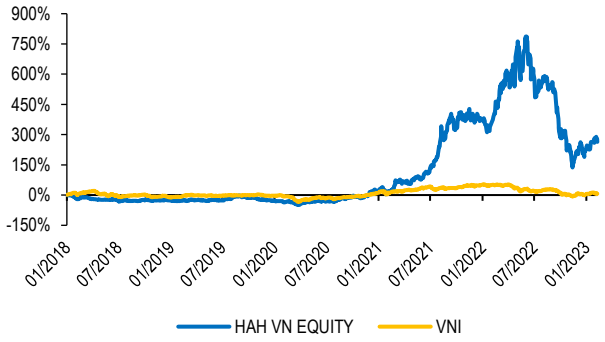
Year to Dec. (bn VND)	2021	2022	2023F	2024F	2025F
Cash flow from operations	277	834	1,243	1,277	1,472
Net profit	446	823	738	891	929
Depreciation expense	137	279	383	462	551
(Gain) from investing activities	0	0	0	0	0
Change in working capital	8	-268	122	-76	-8
Others	-314	0	0	0	0
Cash flow from investments	-383	-1,404	-765	-924	-992
Change in fixed assets	-349	-1,603	-765	-924	-992
Change in investment assets	-34	102	0	0	0
Others	0	97	0	0	0
Cash flow from financing	85	900	268	234	225
Change in equity	-8	440	73	88	92
Net borrowing	140	530	265	217	204
Dividends	-47	-70	-70	-70	-70
Change in total cash	-22	329	745	587	705
Beginning cash	221	485	415	1,161	1,748
Change in FX rates	0	0	0	0	0
Ending cash	199	814	1,161	1,748	2,453

Key ratios

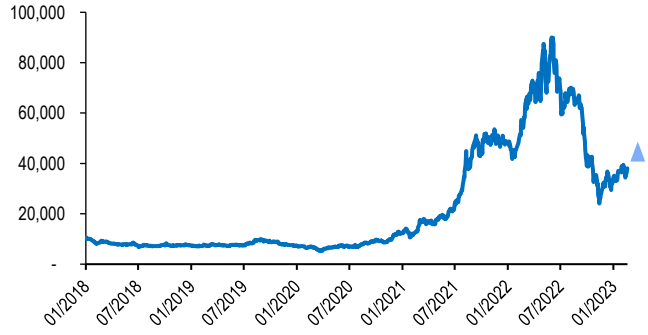
Year to Dec.	2021	2022	2023F	2024F	2025F
EPS (VND)	9,133	11,699	10,496	12,668	13,201
BPS (VND)	31,809	32,852	44,386	58,307	72,814
DPS (VND)	1,000	1,000	1,000	1,000	1,000
PER (x)	4.3	3.3	3.7	3.1	2.9
PBR (x)	1.2	1.2	0.9	0.7	0.5
EV/EBITDA (x)	2.9	1.4	1.7	1.4	1.3
Dividend payout ratio	11%	9%	10%	8%	8%
Dividend yield	2.2%	2.2%	2.2%	2.2%	2.2%
Profitability					
EBITDA margin	40.5%	49.5%	53.0%	57.7%	60.7%
OPM	32.8%	40.5%	37.5%	42.2%	43.2%
NPM	28.2%	32.5%	31.6%	33.7%	34.6%
ROA	17.0%	20.7%	13.3%	13.2%	11.7%
ROE	28.9%	36.1%	21.5%	20.2%	17.2%
Stability					
Debt to equity ratio	41.7%	45.8%	42.1%	37.3%	33.7%
Net debt ratio	-27.8%	-48.3%	-21.1%	5.0%	32.8%
Cash ratio	78.1%	45.6%	148.0%	210.6%	291.9%
Interest coverage ratio (x)	19.6	22.9	12.4	13.3	12.0
Activity					
Working capital turnover (times)	109	97	96	96	96
Inventory turnover (days)	14	16	16	16	16
Receivable turnover (days)	118	111	111	111	111

Hai An Transport & Stevedoring Joint Company (HAH VN)

Share price



Target price (VND)



Date	Rating	TP (VND)	TP gap (%)	
			TB	Max/Min
09/08/2022 (Initiation)	BUY	104,200	61	12/183
04/11/2022 (Update)	BUY	65,100	5	-30/110
24/02/2023 (Update)	HOLD	39,000	-32.3	-57/75.4

Note: Calculation of target price gap based on past 12 months

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

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