Shinhan Securities

Logistics

An early peak season

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Logistics – An early peak season

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01

Global logistics market

Demand for goods recovered sharply in the first 6 months of 2024

The emergence of many obstacles is affecting the flow of trade

Shipping rates skyrocket amid multiple fluctuations

Demand for goods recovered sharply in the first 6 months of 2024

Port throughput index

Index	Jun 23	May 24	Jun 24	Jun 24 vs Jun 23 (%)	Jul 24 vs Jun 24 (%)
Global	112.4	114.7	118.8	5.5%	-4.1%
China	119.0	120.5	126.0	6.0%	
Asia (excl. China)	115.5	112.6	114.8	3.0%	
Europe	104.4	107.9	108.1	3.5%	
North Americ a	101.8	106.5	115.0	12.9%	
Latin America	118.9	131.0	135.3	13.8%	
Africa	110.5	117.7	122.2	10.6%	

The Drewry Container Port Throughput Indices are a series of calendar adjusted volume growth/decline indices based on monthly throughput data for a sample of over 340 ports worldwide, representing over 80% of global volumes. The base point for the indices is January 2019 = 100

Source: Drewry, Shinhan Securities Vietnam

Main trade routes in the region

	T1	T2	T3	T4	T5	T6	T7	T8
Asia → Intra	R	R	A	R	R	R	R	R
→Europe	R	R	R	A	R	R	R	R
→ South America	G	G	G	G	R	R	R	R
→ North America	R	R	A	A	A	R	R	R
Europe →North America	G	G	G	G	G	G	G	A
→ Asia	A	G	G	G	G	A	A	A
North America → Asia	A	A	G	G	G	G	G	G
South America → North America	G	G	G	G	G	G	G	A

G Supply = Demand R Supply < Demand A Supply> Demand

Source: DHL, Shinhan Securities Vietnam

- ❑ The total throughput of containerized cargo through global ports has grown strongly in the first six months of the year. Most regions achieved double-digit growth in the first half of 2024
- ❑ Peak shipping season typically runs from June to September each year, catering to the traditional summer and fall. This explains the resurgence in shipments originating from Asia (particularly China). Increased buying demand since May suggests that shippers may need an additional two weeks of transit storage or avoid higher freight rates.

Global logistics market

The emergence of many obstacles is affecting the flow of trade

The cause

Demand: China's export demand has increased recently

Retailers predict imports to the US will continue to increase until the traditional shopping season in the fall

Supply: According to BIMCO's estimates, the diversion of ships has increased global container shipping demand by around 10%. Currently, the actual capacity of departures from Asia to Northern Europe has decreased by 5.1% compared to the same period last year due to the longer route for most ships passing through the Cape of Good Hope, although ship capacity on the Asia-Northern Europe route has increased by 17.8%, according to a report by Linerlytica.

Weather: Since late April 2024, severe weather has occurred at several major ports around the world, including Jebel Ali (UAE), Singapore, and southern China.

The consequence

Shortage of empty containers: Longer container turnaround time leads to a shortage of empty containers available at ports for loading.

Port congestion:

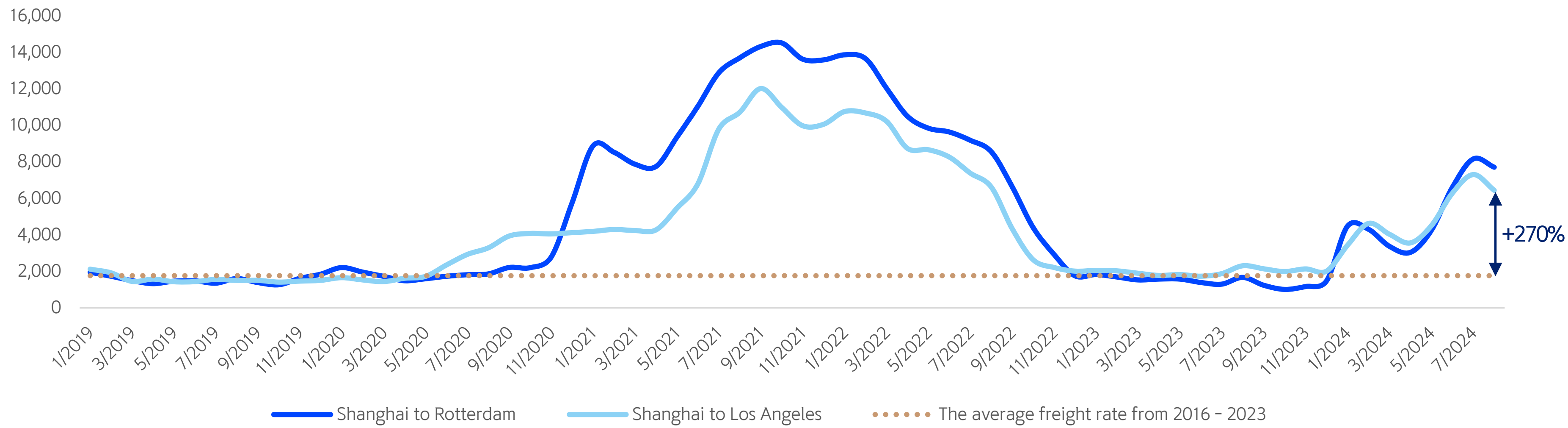
On August 9, 2024, a container carrying hazardous chemicals aboard the YM Mobility exploded while docked at Area III of Ningbo Port. Chinese ports continue to experience severe delays, particularly in Ningbo and Shanghai.

Port congestion continues to worsen, with the most severe congestion occurring in North Asia and South America.

Global logistics market

Shipping rates skyrocket amid multiple fluctuations

Container freight rate (USD/FEU)



Source: Drewry, Shinhan Securities Vietnam

- In early February 2024, tensions in the Red Sea raised concerns about disruptions to the global supply chain. Shipping rates soared due to a temporary shortage of container ships as many ships were unexpectedly forced to detour around the Cape of Good Hope.
- Since late April, shipping rates have skyrocketed on most trade routes, surpassing the peak of the Red Sea crisis earlier this year. The peak shipping season in the US and Europe, combined with longer transit times to avoid the Red Sea and severe weather in Asia, has impacted trade flows on the world's major shipping routes. Additionally, concerns about disruptions and higher tariffs on Chinese-made goods are also driving up freight rates. Therefore, freight rates are likely to remain high in 2H2024.

02

Vietnam's logistics market

Double-digit throughput growth

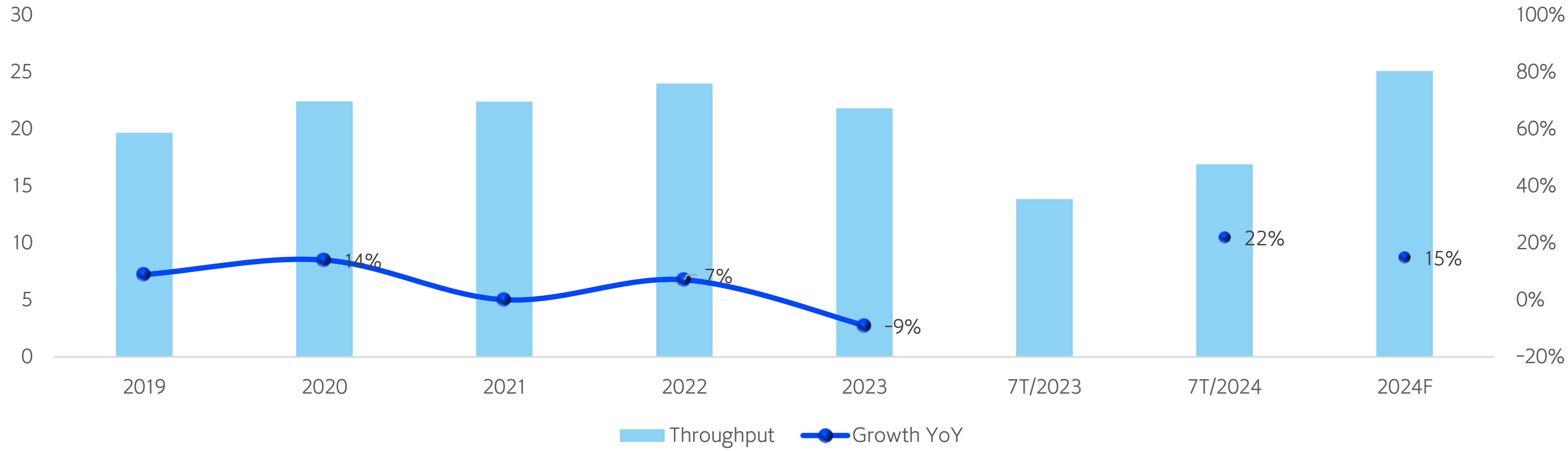
Vietnam's export shows signs of improvement

Circular 39/2023/TT-BGTVT increases port service framework prices, effective from February 15, 2024

Vietnam’s logistics market

Double-digit throughput growth

Vietnam’s container port throughput (mn TEU)



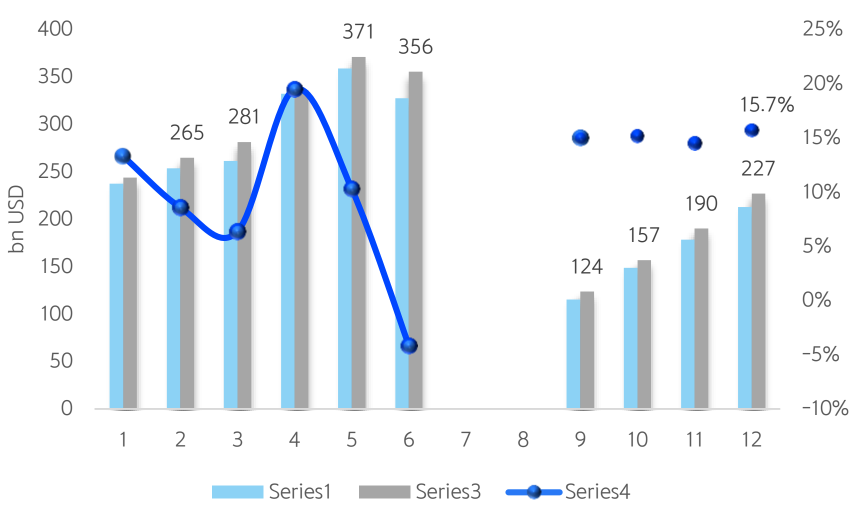
Source: GSO, Shinhan Securities Vietnam

- In the first six months of 2024, Vietnam ‘s container throughput reached 14.3 million TEUs, an increase of 22% YoY. Major port areas such as Vung Tau, Hai Phong and Ho Chi Minh City saw cargo throughput increase by 30%, 15% and 13% YoY, respectively. The main reason is that the production and import-export activities of domestic enterprises have been booming in the recent past.
- According to the Vietnam Maritime Administration, the volume of container cargo handled at seaports in the first 7 months is estimated at 16.9 million TEUs, a 22% year-on-year increase, with growth seen in both export-import and domestic container cargo.

Vietnam's logistics market

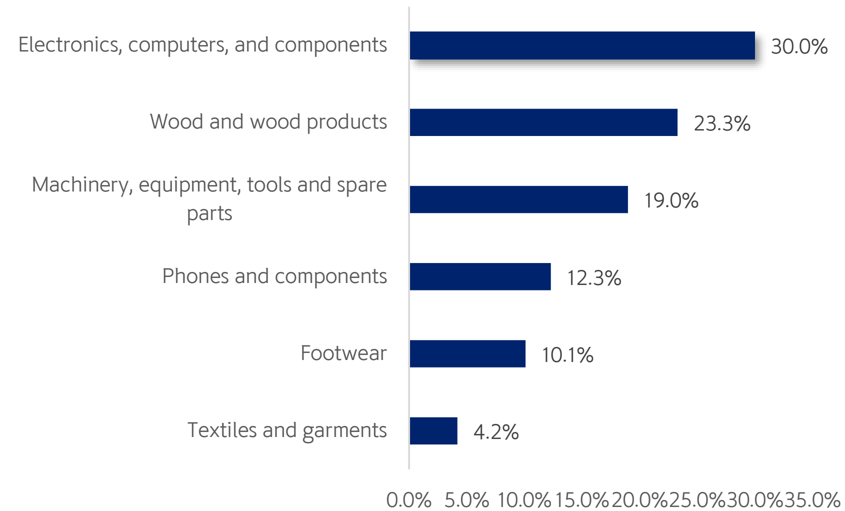
Vietnam's export shows signs of improvement

Vietnam's import and export growth



Source: GSO, Shinhan Securities Vietnam

The growth of exported groups in 7 months of 2024



Source: GSO, Shinhan Securities Vietnam

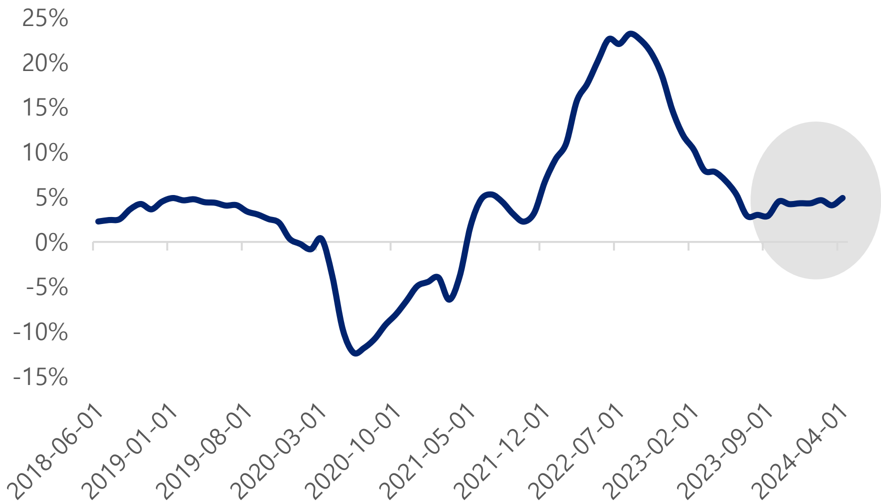
- In the first 7 months of 2024, the total import and export turnover of goods reached USD 439 bn, an increase of 17.1% over the same period last year, of which exports increased by 15.7%; and imports increased by 18.5%. Specifically, in July 2024, exports reached USD 35.09 bn, up 6.7% compared to the previous month and up 19% compared to the same period last year.

- Key industrial export items continue to recover well: Wood and wooden products reached USD 8.8 bn, an increase of 23.3%; textiles and garments reached USD 19.8 bn, an increase of 4.2%. The export turnover of computers, electronic products and components after 7 months of 2024 reached USD 39.8 bn, a strong increase of 30% compared to the same period last year

Vietnam's logistics market

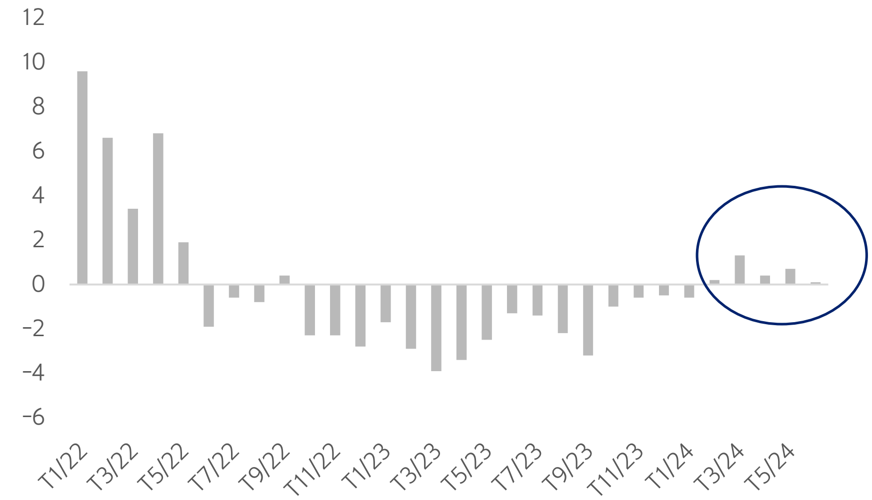
Vietnam's export shows signs of improvement

US retail inventory growth y.o.y



Source: FRED, Shinhan Securities Vietnam

EU retail sales growth y.o.y



Source: China National Bureau of Statistics, Shinhan Securities Vietnam

Vietnam 's import-export activities are forecasted to continue to improve thanks to the following factors: (1) high demand for goods in the autumn seasons and holiday seasons, (2) low inventories in the main export markets of Vietnam.

❑ US: Inventory levels were at 4% in the first six months of the year, which is a low average during normal times for the US economy. In the first seven months of 2024, the US imported USD 66.4 bn worth of Vietnamese goods, an increase of more than 25% over the same period last year.

❑ EU: Retail sales in the European region surged in March 2024, marking the highest increase since September 2022. Vietnam's exports to the EU also witnessed a strong improvement, reaching USD 35.4 bn, up 18% YoY.

Circular 39/2023/TT-BGTVT increases port service framework prices, effective from February 15, 2024

Some changes of Circular 39/2023/TT-BGTVT compared to Circular 54/2018/TT-BGTVT:

The prices of container stevedoring services at seaports according to Circular 39 have been increased compared to Circular 54 in some areas, especially deep-water ports.

The price of container loading and unloading services for import and export in region I, III is adjusted to increase by about 10% compared to the current level

Container Handling Fee for Zone III						
	Circular 54/2018/TT-BGTVT		Circular 39/2023/TT-BGTVT		Change (%)	
	Floor price	Ceiling price	Floor price	Ceiling price	Floor price	Ceiling price
Domestic container (VND/container)						
Container 20 feet	260,000	427,000	260,000	427,000	+0%	+0%
Container 40 feet	439,000	627,000	439,000	627,000	+0%	+0%
Container >40 feet	658,000	940,000	658,000	940,000	+0%	+0%
Container loading and unloading services for import, export, temporary import, and re-export (USD/container)						
Container 20 feet	41	53	45	53	+10%	+0%
Container 40 feet	62	81	68	81	+10%	+0%
Container >40 feet	75	98	83	98	+10%	+0%
Transshipment and transit container handling service (USD/container)						
Container 20 feet	28	40	31	40	+10%	+0%
Container 40 feet	42	60	46	60	+10%	+0%
Container >40 feet	51	73	56	73	+10%	+0%

Nguồn: MoT, Shinhan Securities Vietnam

Circular 39/2023/TT-BGTVT increases port service framework prices, effective from February 15, 2024

Some changes of Circular 39/2023/TT-BGTVT compared to Circular 54/2018/TT-BGTVT:

The prices of container stevedoring services at seaports according to Circular 39 have been increased compared to Circular 54 in some areas, especially deep-water ports.

Container handling fee for Lach Huyen and Cai Mep - Thi Vai ports						
	TT 54/2018/TT-BGTVT		TT 39/2023/TT-BGTVT		Thay đổi (%)	
	Floor price	Ceiling price	Floor price	Ceiling price	Floor price	Ceiling price
Container loading and unloading services for import, export, temporary import, and re-export (USD/container)						
Container 20 feet	52	60	57	66	+10%	+10%
Container 40 feet	77	88	85	97	+10%	+10%
Container >40 feet	85	98	94	108	+10%	+10%
Transhipment and transit container handling service (USD/container)						
Container 20 feet	31	36	34	40	+13%	+11%
Container 40 feet	46	53	51	58	+11%	+9%
Container >40 feet	51	59	56	65	+10%	+10%
Barge service (USD/container)						
Container 20 feet	6	15	8	15	+33%	+0%
Container 40 feet	10	23	13	23	+30%	+0%
Container >40 feet	10	23	13	23	+30%	+0%

Nguồn: MoT, Shinhan Securities Vietnam

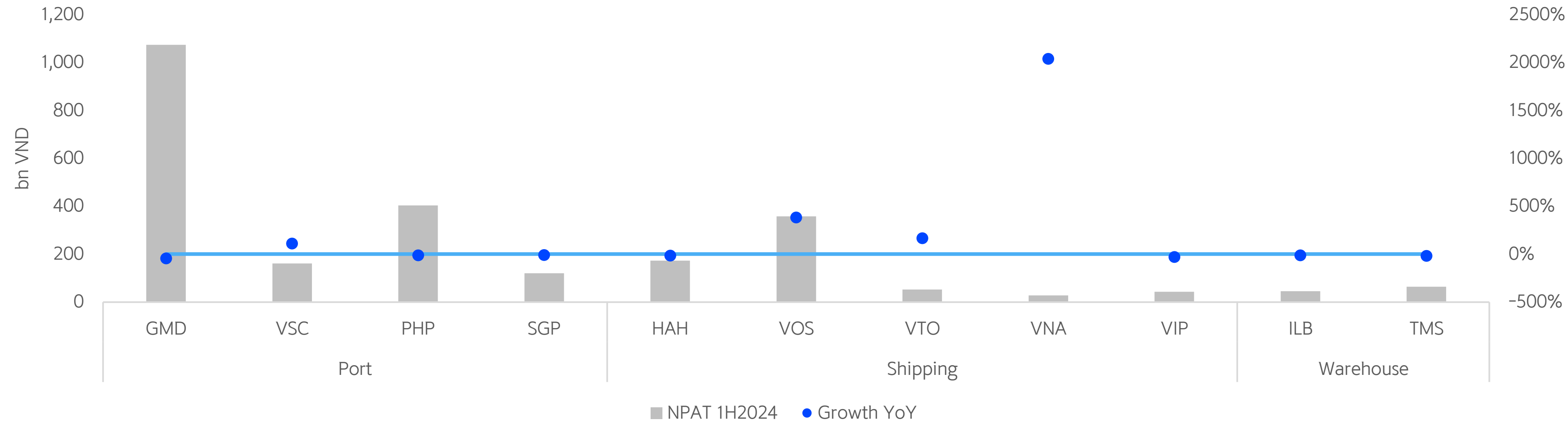
03

Logistics stock pick

GMD & HAH - Demand recovery & freight rate on the rise again

Profit growth differentiation among logistics companies

Business results of logistics enterprises



Nguồn: Fiinpro, Shinhan Securities Vietnam

- ❑ Port companies: There is a widening gap in performance between large and medium-sized companies. Excluding the abnormal profit, GMD's core profit is estimated to increase by approximately 35%. We expect this group of businesses to continue to grow well in H2 2024 thanks to positive signals from import-export.

- ❑ Shipping companies: Most companies are seeing a decline in their business results due to falling sea freight rates and ship charter rates. As for HAH, we expect this group of businesses to start to improve from Q3 as freight rates have increased significantly compared to the same period last year.

- ❑ Warehouse companies: Divergence among firms due to own story. TMS records 52% YoY revenue growth, but net profit falls 18% under pressure from multiple cost increases.

Listed logistics enterprises

General Info				Price			Key financial ratio			Business result forecast		Valuation 24F		
No.	Ticker	Sector	Mkt.Cap (VND bn)	CP (VND)	TP (**) (VND)	Upside (%)	GPM TTM (%)	ROA TTM (%)	ROE TTM (%)	NPAT 2024 (VND bn) (**)	NPAT growth 2024 (% YoY)	P/E (x)	EV/Sale (x)	EV/EBITDA (x)
1	GMD	Port services	24,901	80,200	84,000	5.3	45.3	18.7	29.6	1,536	17.0	17.0	2.0	9.2
2	HAH	Port services	4,981	41,050	43,200	5.3	19.7	6.1	12.4	520	45.3	5.3	1.1	1.7
3	VSC	Port services	4,895	18,500	25,000	35.1	31.3	2.7	4.9	350	180	18.5	0.8	7.2
4	ILB	Warehousing services	847.7	34,600	-	-	39.8	6.3	20.7	-	-	-	-	-
5	TMS	Warehousing services	7,754	49,000	-	-	16.7	3.2	5.7	-	-	-	-	-
6	VOS	Inland transport	2,261	16,150	-	-	4.8	5.7	9.5	-	-	-	-	-
7	VIP	Inland transport	876.1	12,800	-	-	21.1	5.5	6.1	-	-	-	-	-
8	VTO	Inland transport	1,062	13,300	-	-	20.9	5.5	7.9	-	-	-	-	-

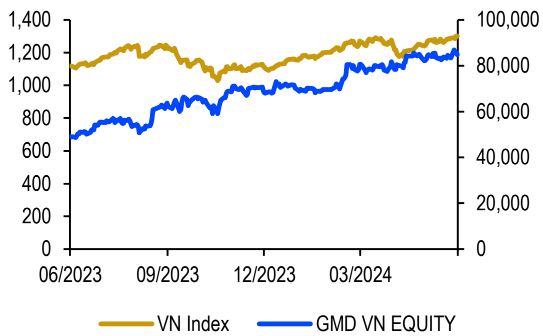
(*) Target price (fair value) for the next 12 months
(**) We exclude abnormal profit from asset disposals
Source: Fiinpro, Shinhan Securities Vietnam
Data as of 29/08/2024

Gemadept Corporation (HOSE: GMD)

Target price (12 months)	84,000 VND
Curren price (29/08/24)	80,000VND
Return (%)	5.3%

VN-INDEX		1,281
HNX-INDEX		237
Market Cap (bn VND)		24,901
Outstanding shares (mn)		310
Free-Floating (mn)		303
52-Wk High/Low (VND)		87,800/56,500
90-day avg. trading volume (mn)		1.72
90-day avg. turnover (bn VND)		1.46
Shareholders (%)	SSJ Consulting VN	9.9

Performance	3M	6M	12M
Absolute (%)	-3.3	5.5	36.6
Relative to VNIndex(%)	-4.6	3.0	30.8



The beneficiary of rising freight rates and demand

GMD is one of the leading logistic companies in Vietnam, having modern and large-scale ports system, being located at critical economic positions. The main operating businesses: Port operation; logistic activities. GMD owns a total of 7 seaports, with an annual capacity of up to 5 million TEUs and 5 million tons of bulk cargo.

Investment thesis & Catalyst

- The economy is tending to recover. We expect import and export activities to be positive in the second half of 2024 when export orders recover as well as consumer demand from major export markets of Việt Nam such as the US, EU, and China return.
- Core profit expected to improve. In 2024, we expect cargo throughput at Gemalink port to resume growth thanks to the support of 2 new shipping routes and the recovery of existing routes, and phase 2 of Nam Dinh Vu port will optimize capacity.
- Circular 39/2023/TT-BGTVT increases port service fee to support GMD's profit, effective from February 15, 2024. In which, the container loading and unloading service price for import and export in Hai Phong and Cai Mep Thi Vai area is adjusted to increase by at least 10% compared to before.

Outlook for 2024

- In 1H/2024, GMD recorded a net revenue of VND 2,186 billion (+20.5% YoY) and NPAT of VND 1,074 billion (-45.5% YoY). Excluding the divestment, GMD's core profit in 1H/2024 is estimated to increase by about 35% YoY. Business results grew well thanks to the recovery of container volume, with the volume through Nam Dinh Vu Port and Gemalink increasing by 12% and 97% YoY, respectively. We forecast that GMD's core profit will grow in 2024 thanks to (1) service fees increasing from 5% - 8%, while the volume of goods through the port will increase % due to phase 2 of Nam Port. Dinh Vu will run at maximum capacity and Gemalink output will grow again.

Downside risks: (1) World economic risk and (2) Slow down in demand.

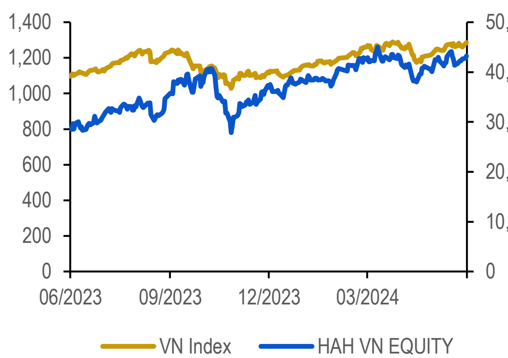
Year to Dec	2020	2021	2022	2023	2024F
Core revenue (VND bn)	2,606	3,206	3,916	3,846	3,960
OP (VND bn)	471	693	1,104	1,116	1,299
Core NP (VND bn)	440	721	1,157	2,861	1,536
EPS (VND)	1,132	1,869	3,054	7,825	3,713
BPS (VND)	20,472	21,920	24,030	28,395	31,627
OPM	18.1%	21.6%	28.2%	29.0%	28.1%
NPM	14.2%	19.1%	25.4%	74.4%	31.4%
ROE (%)	6.3%	10.0%	15.0%	33.3%	13.3%
P/E (x)	55.6	33.7	20.6	8.1	17.0
P/B (x)	3.1	2.9	2.6	2.2	2.0
EV/EBITDA (x)	20.4	16.2	11.2	12.0	9.2

Hai An Transport & Stevedoring JSC (HOSE: HAH)

Target price (12 months)	43,200VND
Curren price (29/08/24)	41,000 VND
Return (%)	5.3%

VN-INDEX		1,281
HNX-INDEX		238
Market Cap (bn VND)		4,981
Outstanding shares (mn)		121
Free-Floating (mn)		14
52-Wk High/Low (VND)		45,950/26,800
90-day avg. trading volume (mn)		2.92
90-day avg. turnover (bn VND)		127
Shareholders (%)	Hai Ha Investment and Transport JSC	16.8

Performance	3M	6M	12M
Absolute (%)	11.6	12.4	45.1
Relative to VNIndex(%)	10.2	9.9	39.2



Riding the wave of maritime transport

Hai An Transport and Handling Joint Stock Company (HAH) is one of the leading shipping enterprises in Vietnam. Hai An is one of the few companies with a complete value chain in the shipping industry. Hai An provides a full range of shipping services including freight services (for North-South routes and international maritime routes), shipping agency, port operation services through Hai An port (such as receiving ships, loading, and unloading goods), warehousing services (withdrawing and storing goods) and logistics services. The complete value chain helps Hai An operate efficiently and optimize costs.

Investment thesis & Catalyst

- The economy is tending to recover. We expect import and export activities to be positive in the second half of 2024 when the US and EU enter the peak buying season and there is a demand for stocking goods before fluctuations in freight rates.
- Business operations are expected to improve from 2H/2024. We forecast that freight rates will continue to increase significantly compared to 2023 due to (1) the prolonged tension in the Red Sea and (2) the recovery in cargo demand.
- Fleet expansion helps increase capacity. As of now, 2 vessels have been delivered in early 2024 and the remaining 1 vessel will be delivered in Q3/2024, bringing the total fleet capacity to over 23,000 TEU by the end of 2024 (+23% y.o.y).

- Outlook for 2024

- In 1H/2024, HAH recorded net revenue of VND 1,652 billion (+30.4% YoY) and COGS of VND 1,296 billion (+40% YoY). HAH reported profit after tax of VND 173 billion (-16% YoY) due to the still unoptimistic domestic transportation demand and some time-chartered vessels still under contracts at old freight rates. We forecast that HAH's core profit will grow in 2H/2024 thanks to (1) two new vessels received in 2024 with good freight rates, (2) some time-chartered vessels being re-contracted from Q2/2024, and (3) recovery in cargo demand.

Downside risks: (1) World economic risk , (2) Slow down in demand and (3) Rising fuel costs

Year to Dec	2020	2021	2022	2023	2024F
Revenue (VND bn)	1,192	1,955	3,206	2,613	2,872
OP (VND bn)	171	629	1,308	447	660
NP (VND bn)	147	551	1,041	358	520
EPS (VND)	2,835	9,133	11,699	3,648	4,436
BPS (VND)	21,908	31,809	32,852	25,240	30,169
OPM	14.4%	32.2%	40.8%	17.1%	23.0%
NPM	12.3%	28.2%	32.5%	13.7%	18.1%
ROE (%)	11.0%	28.9%	36.1%	11.2%	13.8%
P/E (x)	17.5	5.4	4.2	13.6	11.2
P/B (x)	2.3	1.6	1.5	2.0	1.6
EV/EBITDA (x)	7.4	2.9	1.4	3.8	2.9

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Stock

- **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

Sector

- **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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