LOGISTIC

HEADWIND IN THE SHORT-TERM
TAILWIND IN THE LONG RUN

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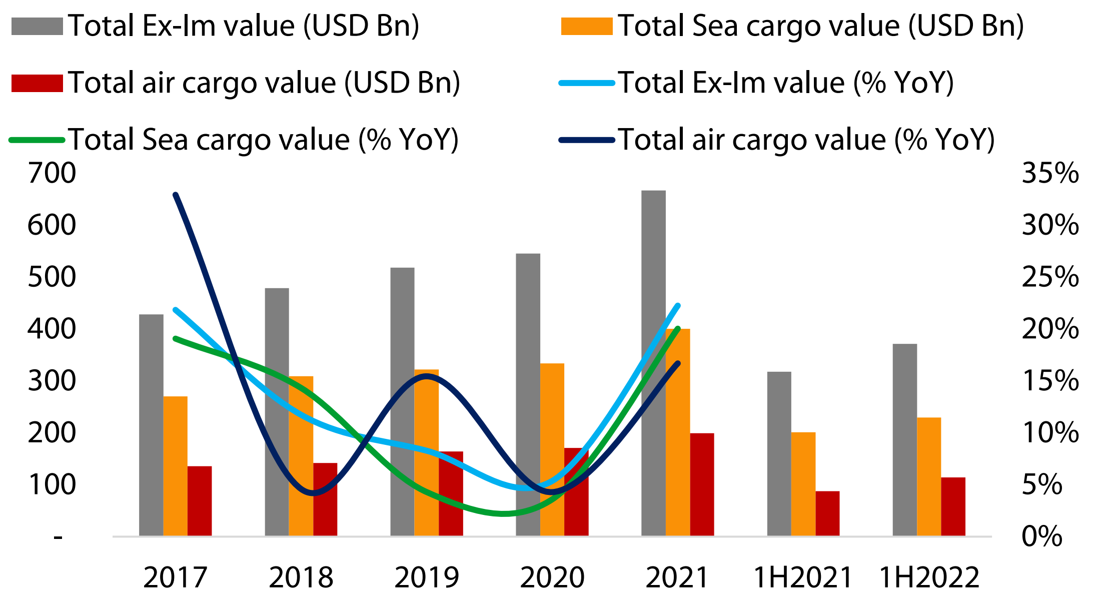
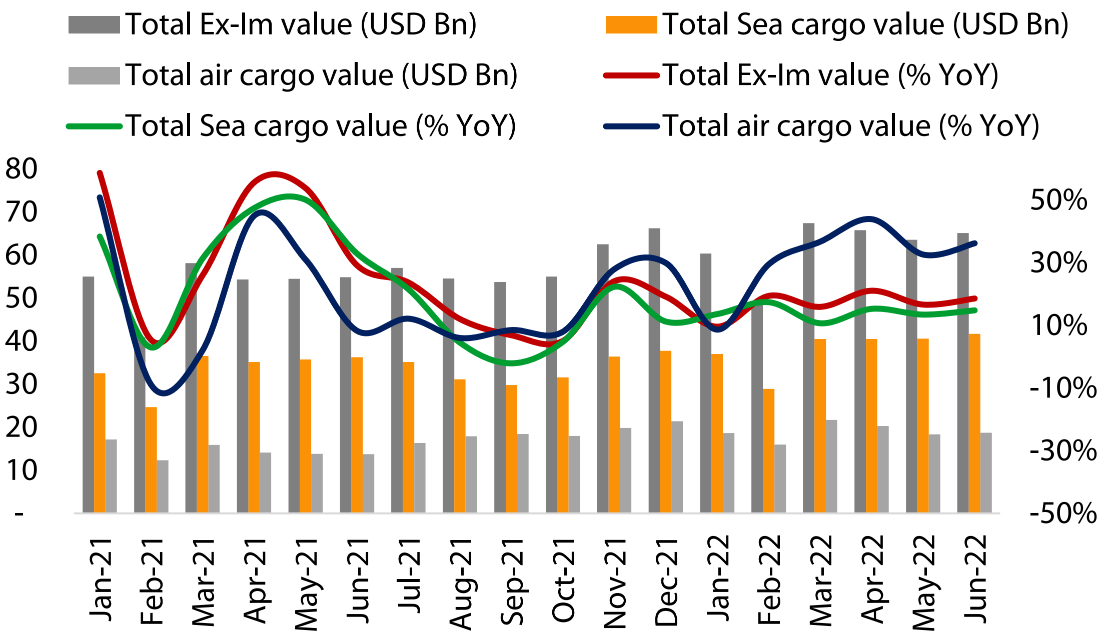
Figure 1: Ex-Im Value in terms of transport



Source: Vietnam Customs, Rong Viet Securities

Figure 2: Monthly Ex-Im value (USD Bn)



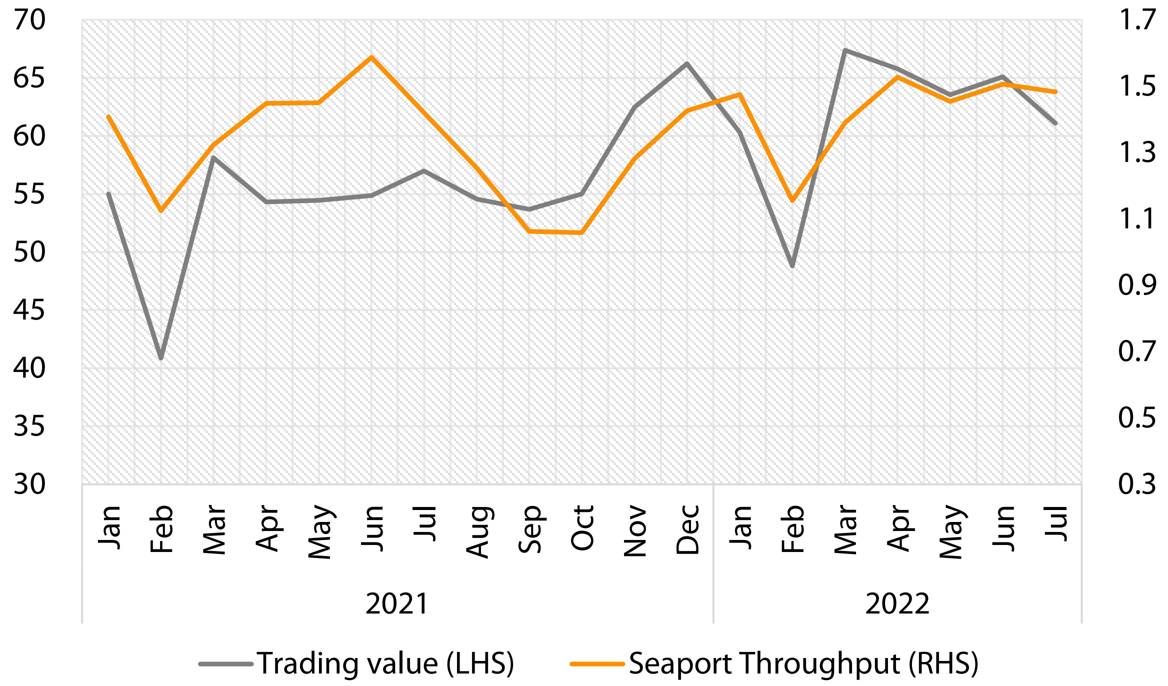
Source: Vietnam Customs, Rong Viet Securities

An enhancement of 17% in total import – export value in 1H2022 and the airborne trading outweighed that of seaborne

- In 2021, total trading witnessed a strong rebound of 22% regardless of the production stagnation amid the 4th covid wave in 3Q2021. Total export-import has gradually recovered MoM with a low growth rate since Nov 2021 upon economies reopening.
- **Air cargo trading value growth has surpassed that of sea freight in 1H2022**. Total trading value in 1H2022 reached $ 371 bn, +17% YoY, in which sea freight value accounts for 62% of the total ($ 229 bn, +14% YoY) and the remaining belongs to air freight ($114 bn, +31% YoY).
- Monthly total trading value has performed well with growth rates ranging from 10% to 20% in the first fourth months. Since the very first signal of global inflation in May 2022, total trading value somewhat declined by 3% MoM, mainly attributed by a plunge of 10% from air-borne value.

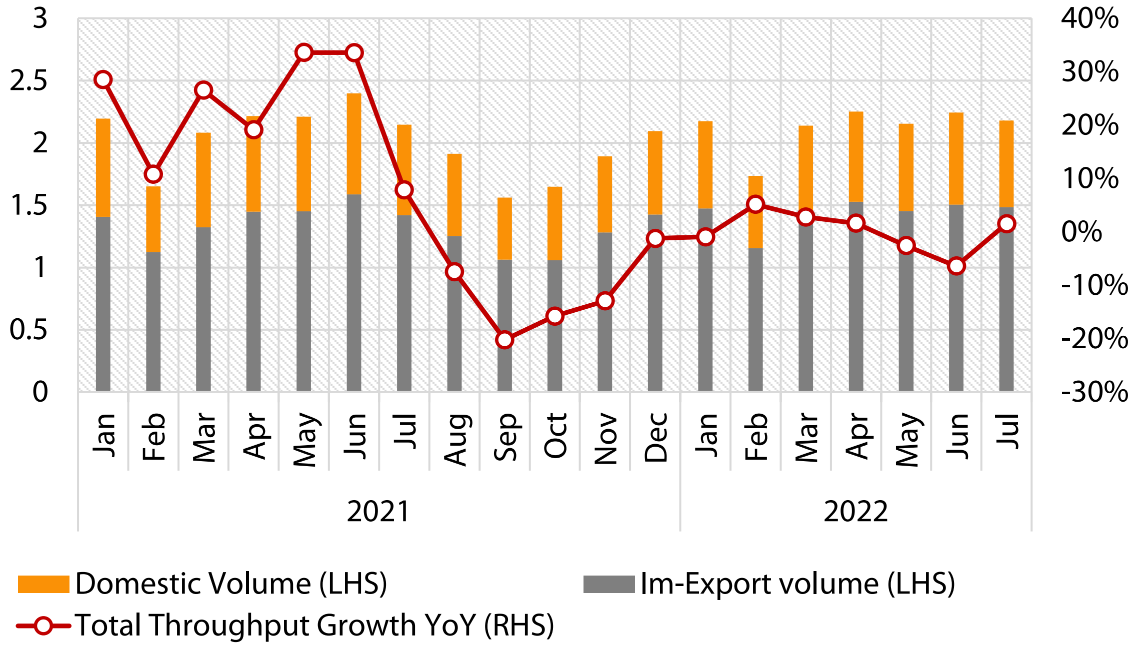
CONTAINER THROUGHPUT WAS FLAT IN 1H2022

Figure 3: Cargo trading value ($ bn) and throughput (mn TEUs)



Source: Vinamarines, GSO, Rong Viet Securities

Figure 4: Monthly seaports throughput (mn TEUs)



Source: Vinamarines, GSO, Rong Viet Securities

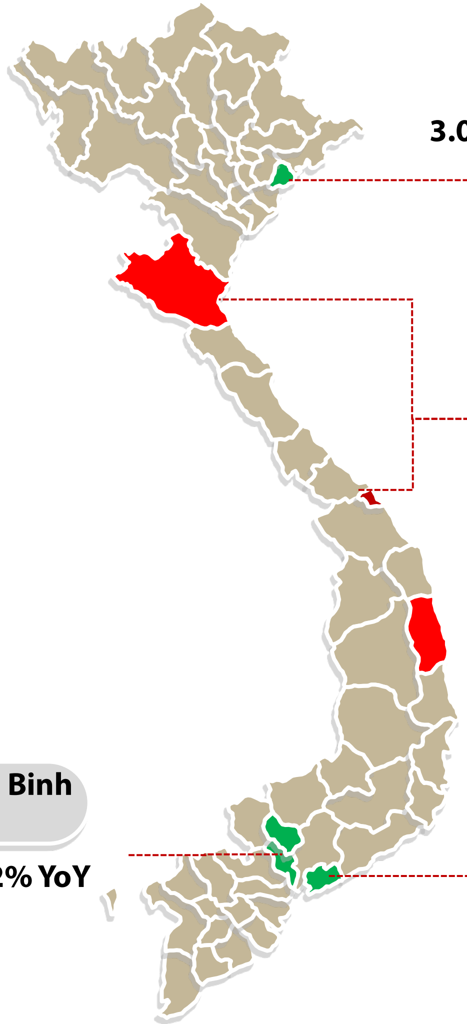
Despite of a rise of 17%YoY in trading value, national sea cargo throughput was flat in 1H2022, implying an accelerate in price

Specifically, Hai Phong and Vung Tau port cluster posted single-digit growths, 7% YoY and 2% YoY, respectively. On the other hand, the Central and HCMC regions declined by -15% and -2% YoY, respectively.

HAI PHONG OUTPERFORMED IN 1H2022

Figure 5: Throughput in key port clusters in 1H2022

- In 1H2022, the Hai Phong landscape ranked first in Vietnam (7%) in terms of growth rates. Next was the Vung Tau area (2%).
- Historically, Vung Tau areas always owned the highest growth rates. In 1Q2022, sea cargo throughput rose by 11% YoY while it declined by 5% in 2Q2022.
- Vung Tau is the main port on long-haul transpacific routes from East to West. Hence, a soar of inflation in US and EU, resulting in a tail of throughput in such areas since May, -2% and -12% MoM in May and June.



Hai Phong

3.0 Mn TEUs ▲ 7% YoY

Terminal	Volume ('000 TEU)	YoY %	M/S
HICT	533	47%	18%
Tan Vu	532	-1%	18%
Vip green	333	12%	11%
Dinh Vu	306	1%	10%
NHDV	268	-1%	9%

Central region

0.4 Mn TEU ▼ -15% YoY

Vung Tau

2.9 Mn TEUs ▲ 2% YoY

Terminal	Volume ('000 TEU)	YoY %	M/S
TCIT	1.086	1%	37%
Gemalink	650	151%	25%
CMIT	470	-3%	16%
SSIT	382	-17%	13%
TCTT	255	-25%	9%

HCM, Dong Nai, Binh Duong

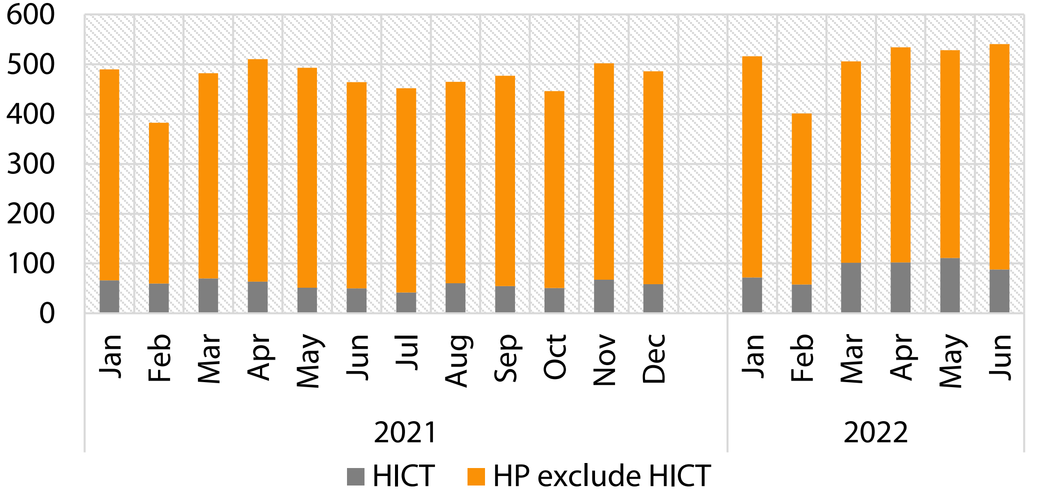
4.3 Mn TEU ▼ -2% YoY

Terminal	Volume ('000 TEU)	YoY %	M/S
Cat Lai	2,824	-2%	65%
ITC – Phu Huu	284	-15%	7%
VICT	264	-5%	6%
Dong Nai	261	6%	6%
Binh Duong	226	16%	5%

Source: VPA , Vinamarine, Rong Viet Securities

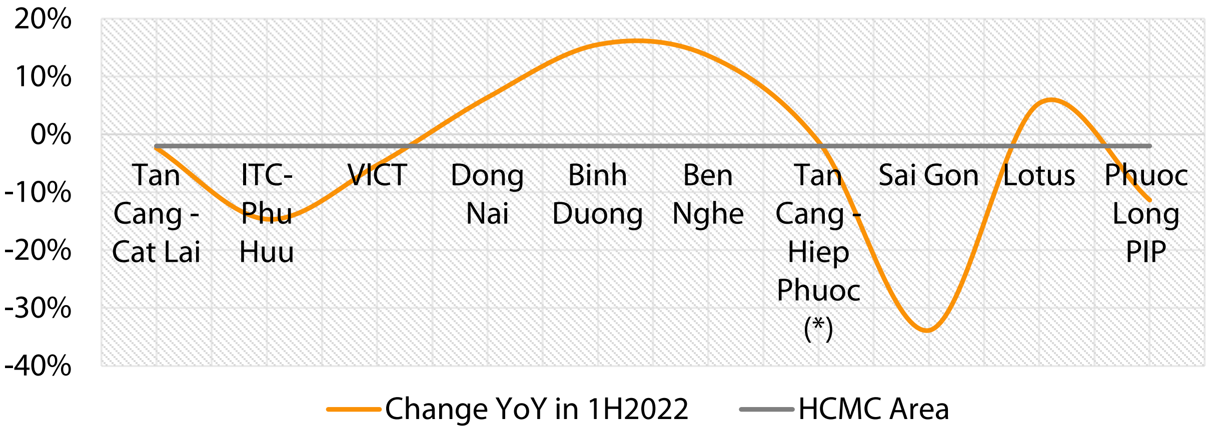
CONTAINER THROUGHPUT BY TERMINAL IN 1H2022

Figure 6: Volume in Hai Phong landscape ('000 TEUs)



Source: Vinamarines, Rong Viet Securities

Figure 7: Change in 1H2022 volume in HCMC area



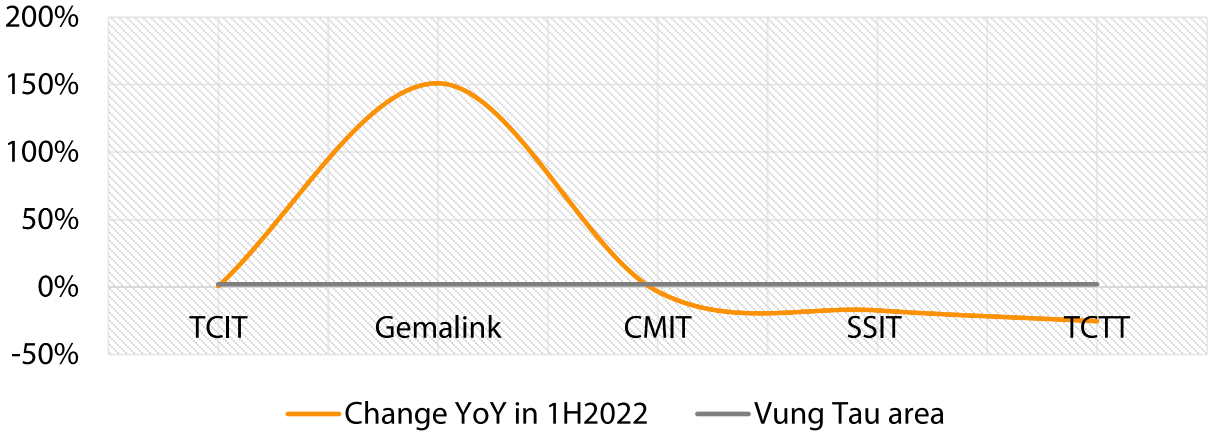
Source: Vinamarines, Rong Viet Securities

In terms of Hai Phong landscape, HICT strongly recovered thanks to (1) Finish dredging and (2) The new service routes launching. In 1H2022, HICT surged by 47% YoY, that took market shares from Tan Vu, Dinh Vu, NHDV, and NDV port.

Regarding Vung Tau area, Gemalink was outstanding amongst others. To exclude barge volume, throughput accelerated by 150% YoY while others witnessed a declining trend.

Throughput of Binh Duong and Dong Nai has enjoyed favorable growth thanks to CaiMep-ThiVai synergies while others in HCMC decreased.

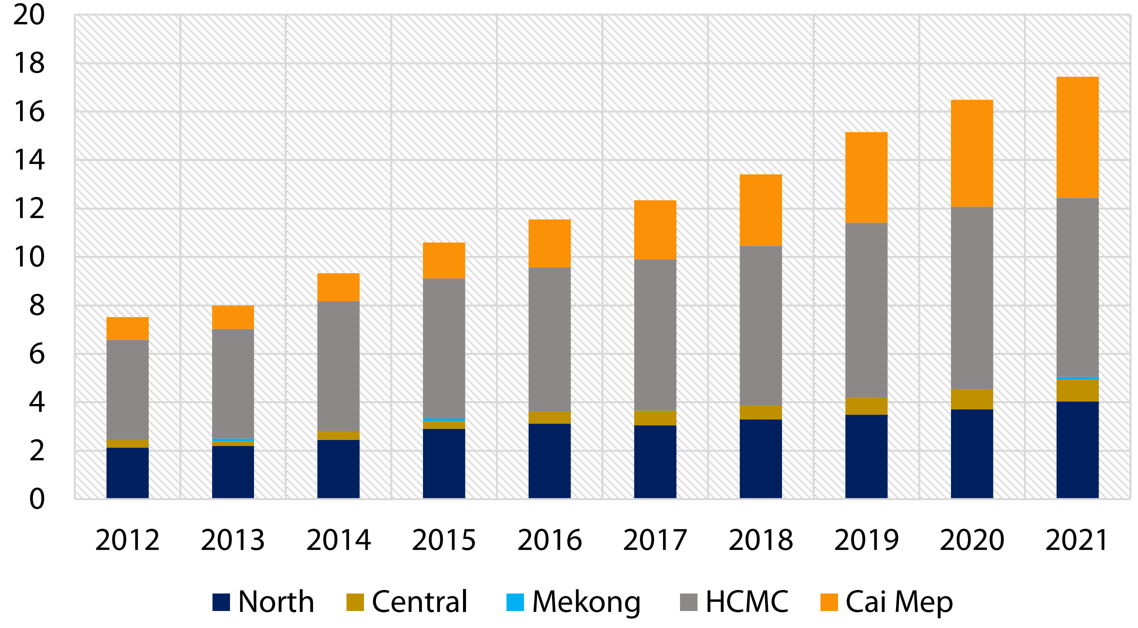
Figure 8: Change in 1H2022 volume in Vung Tau area



Source: Vinamarines, Rong Viet Securities

BRIGHT LONG-TERM OUTLOOK

Figure 9: Throughput by landscape (mn TEUs)



Source: VPA, Rong Viet Securities, please note that this figure only represent for those belong to VPA

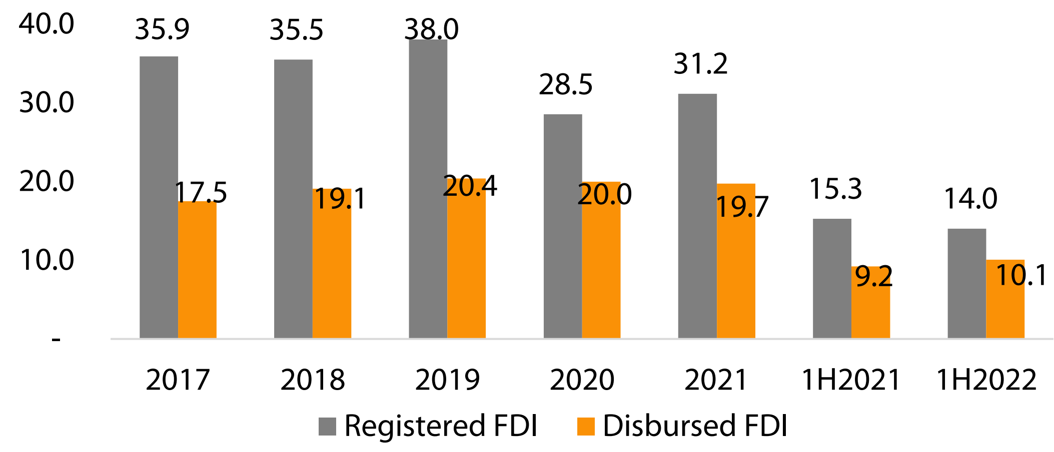
Figure 10: Sea cargo trading value (USD bn)

Source: GSO, Rong Viet Securities

- Despite strict lockdown in 2021, sea cargo trading value and container throughput experienced an upwards growth trend of roughly 27% and 5% YoY, respectively.
- As Vietnam is an open economy, that might be temporarily impacted by the high inflation in US and EU (Vietnam's major commercial partners). However, we foresee this event as a short-term risk unless the recession prolongs for more than a year.
- In the long run, the seaport industry still holds a bright outlook which is backed by (1) Strong FDI inflows; (2) Vietnam's economic reopening; (3) Production shift from China to Vietnam trend.

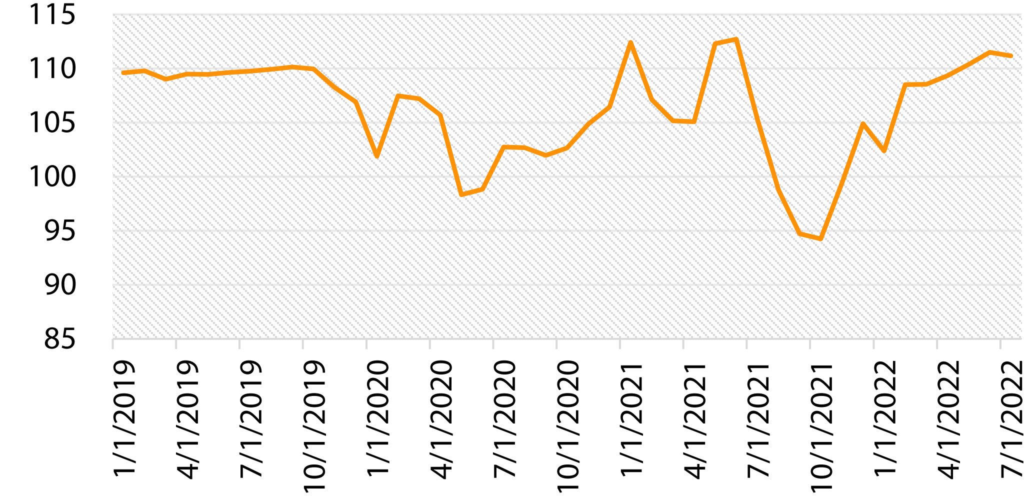
MANUFACTURING ACTIVITY SHOWED GOOD RECOVERY

Figure 11: FDI registered and disbursement in Vietnam ($ bn)



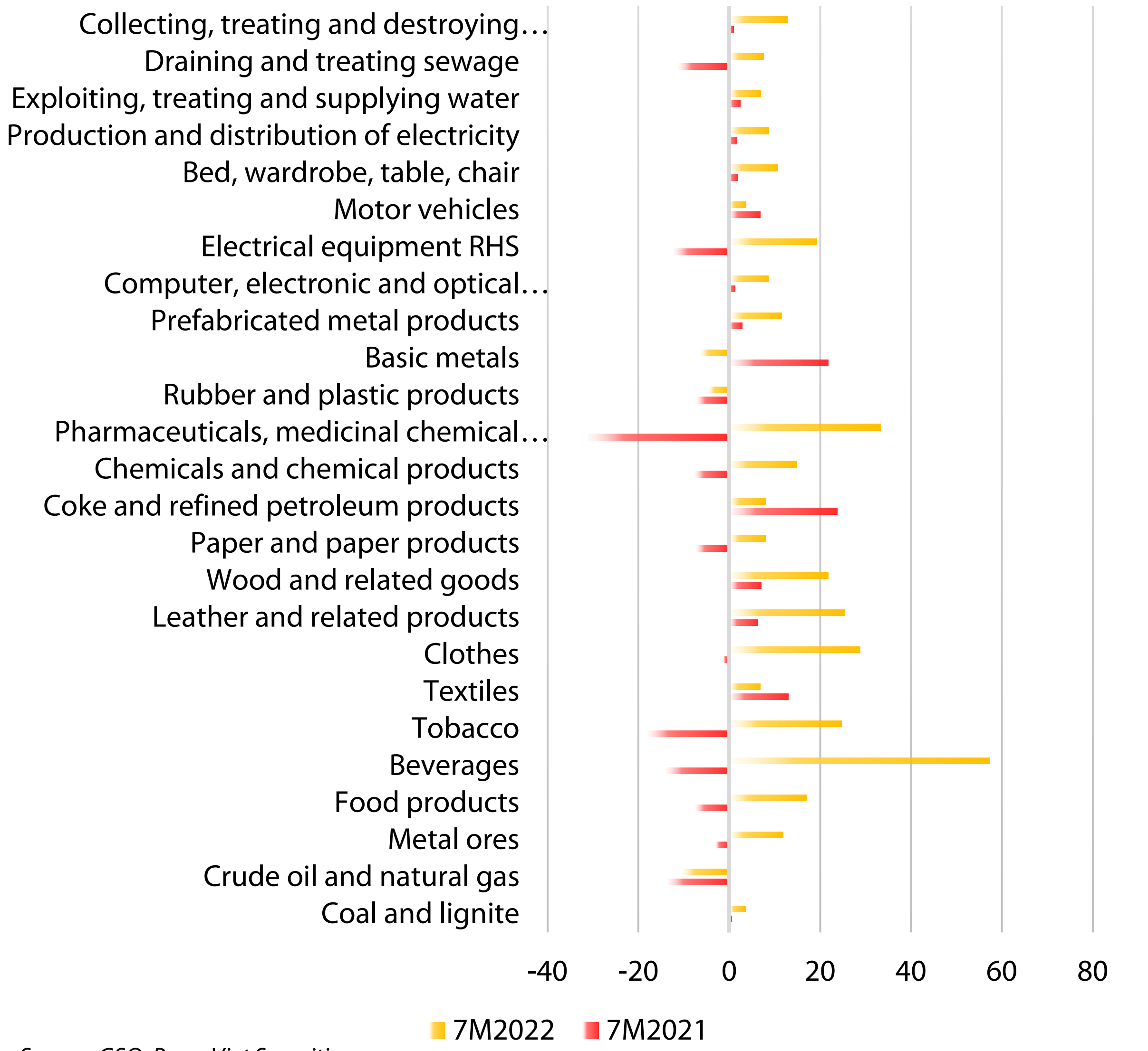
Source: Finn Pro, Rong Viet Securities

Figure 12: Vietnam's index of industrial production YoY



Source: GSO, Rong Viet Securities

Figure 13: IIP growth breakdown for manufacturing segment (% YoY)

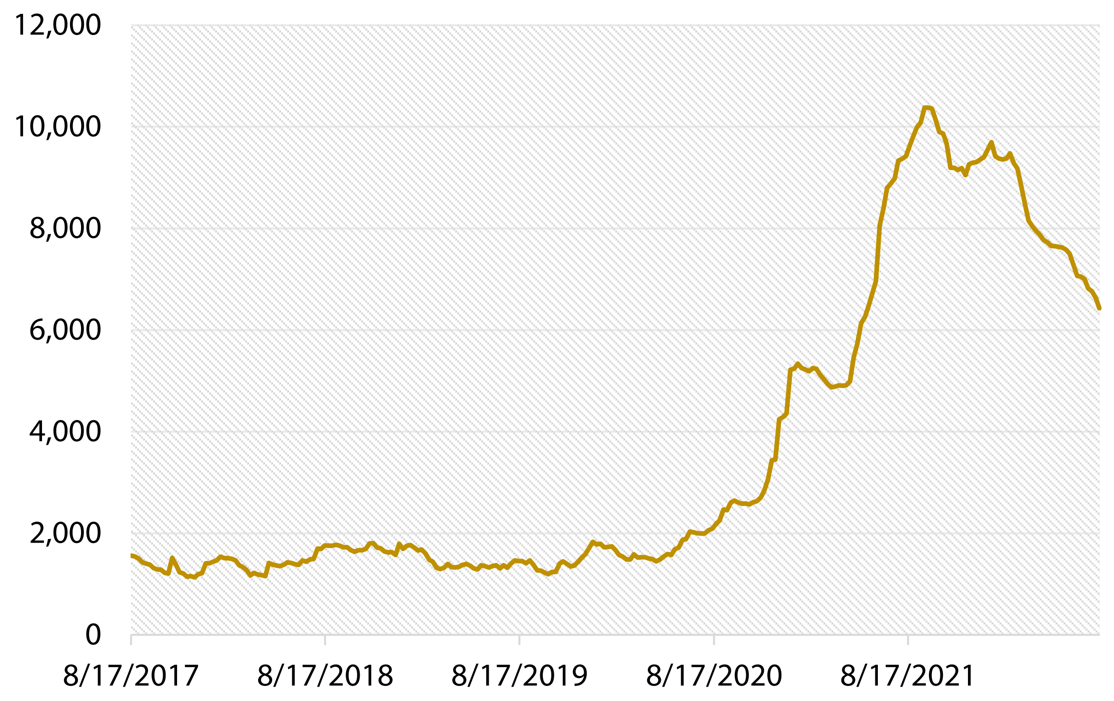


Source: GSO, Rong Viet Securities

GLOBAL SHIPPING RATES HAVE COOLED DOWN

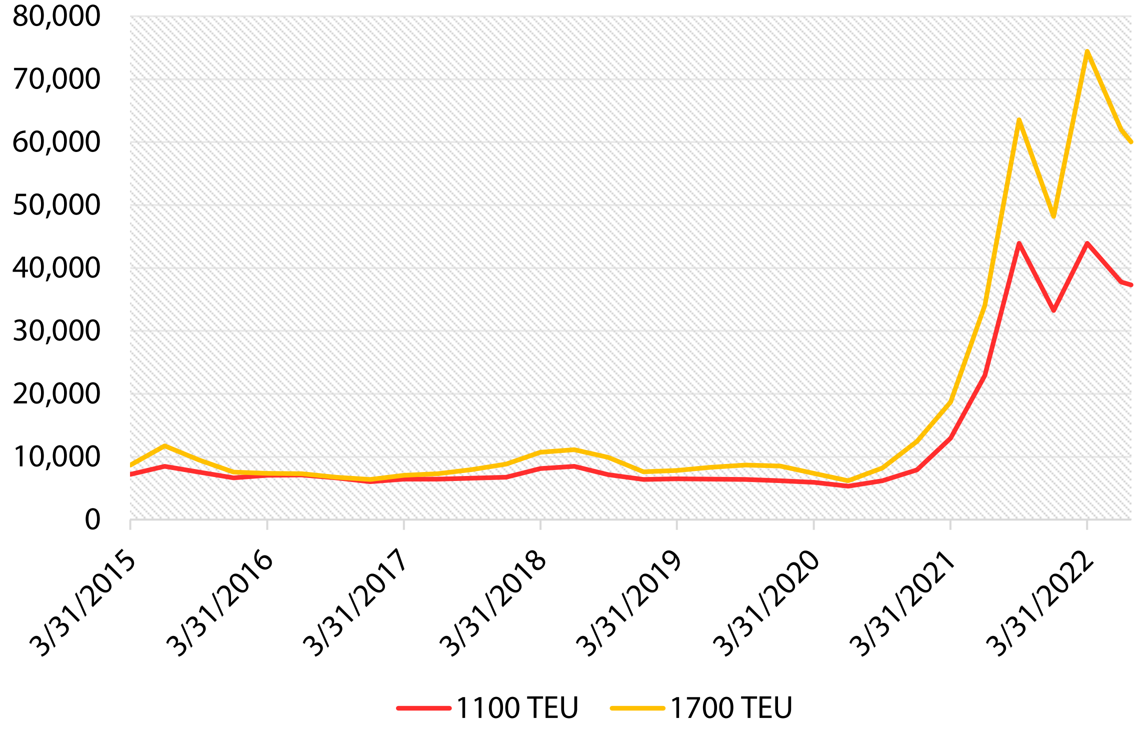
- The global shipping rates started to recover in the early months of 2022 which is backed by the tremendous growth in global trade. However, in the long run, these marine rates will likely adjust to reasonable rates thanks to (1) The global port congestion has eased, (2) Global trading has cooled down and (3) Increasing vessels supply side will lessen demand pressure.
- In light of the freight rates decline trend, charter rates are forecasted to decline in the long-term after a recovery in early months in 2022.

Figure 14: WCI Composite Container Freight (40 Foot)



Source: Bloomberg, RongViet securities

Figure 15: Charter rate index (USD)



Source: Bloomberg, RongViet securities

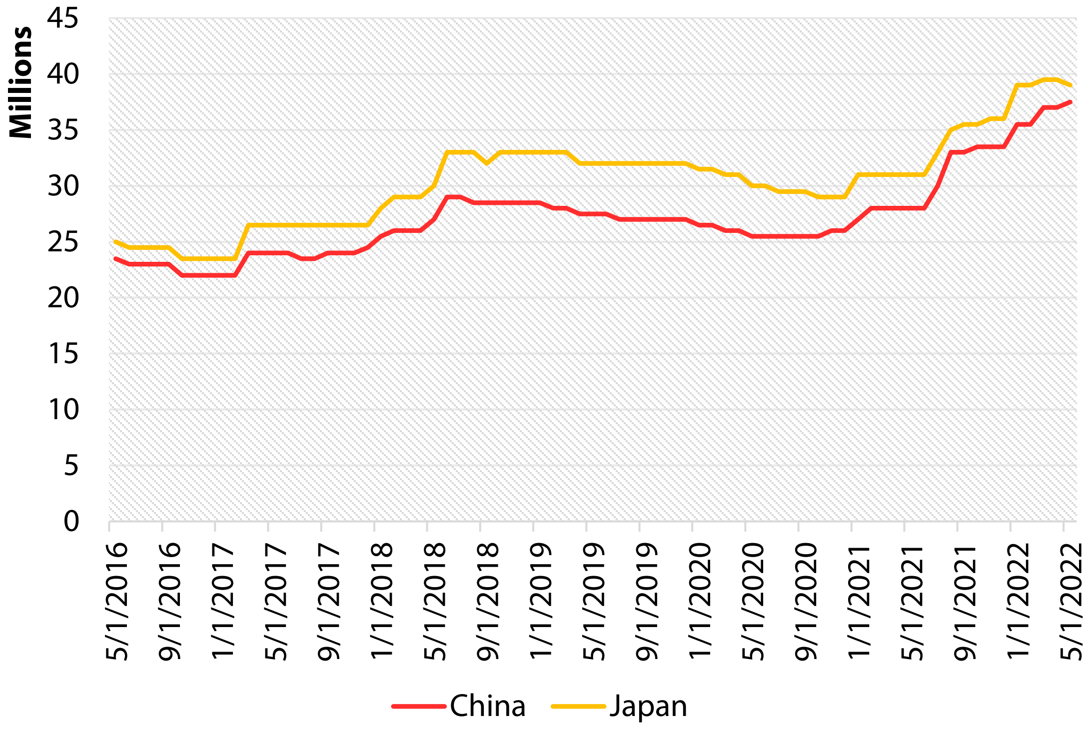
Global freight rates have come off their peak and will likely adjust downward in the long run. However, it will stand at a high level compared to that in history as

(1) Shanghai gradually returns to normalcy; factory output will be increasing and so does container volume.

(2) Congestion in USWC continues setting a high record.

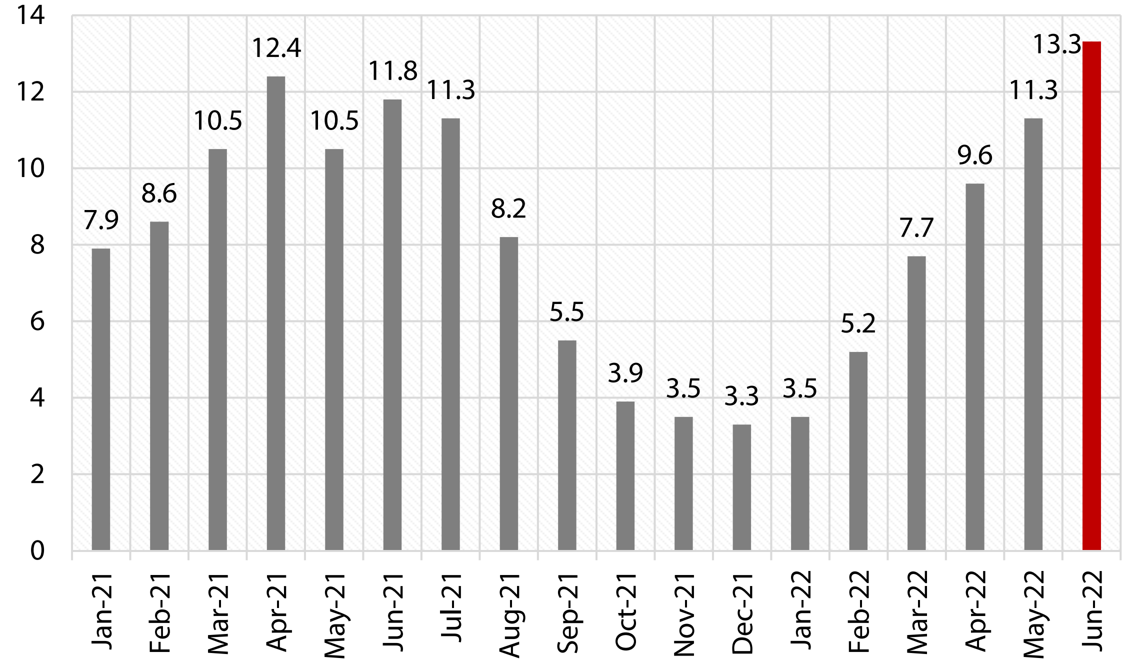
(3) Vessel investment has gradually climbed year to date implying a high level of freight rates.

Figure 16: Vessel capex (USD)



Source: Bloomberg, RongViet securities

Figure 17: Dwell times in USWC ports at all-time highs (days)

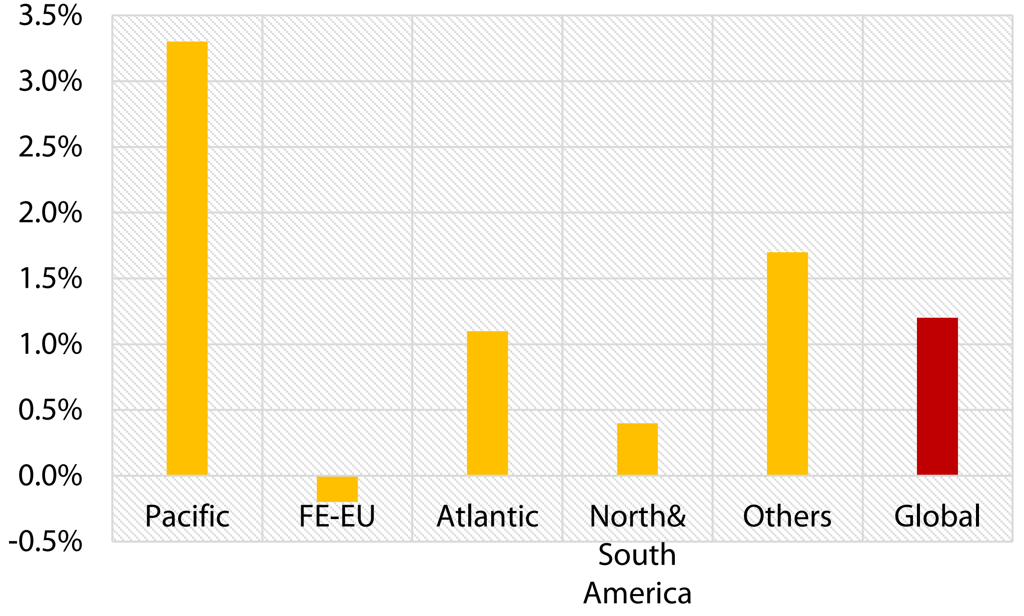


Source: PMSA, RongViet securities

SHIPPING COSTS MIGHT EASE UNTIL 2023

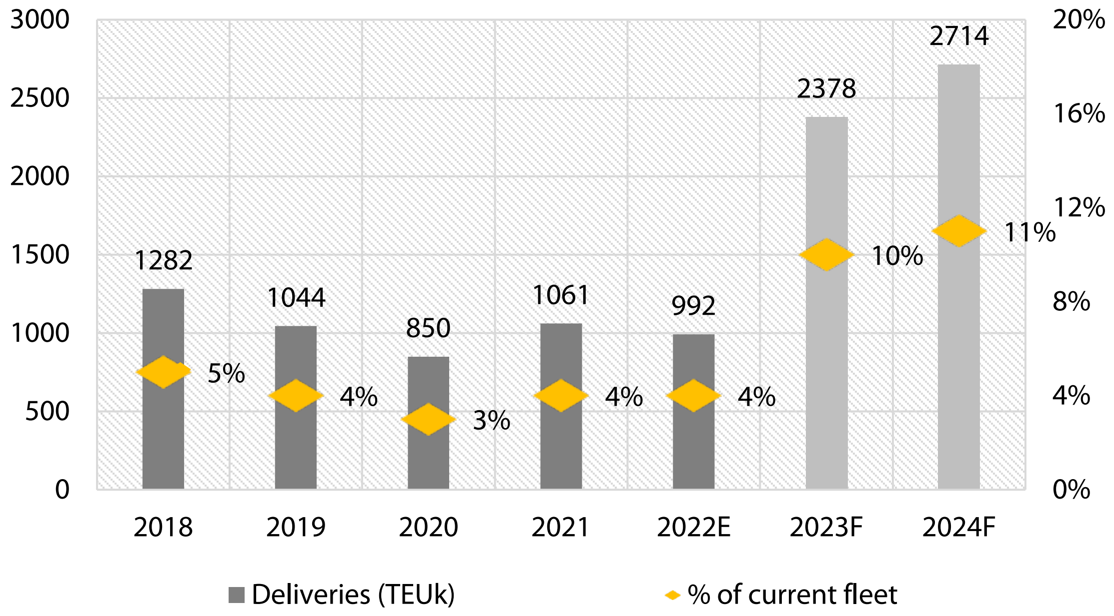
- Currently, vessel congestion in major ports and energy shortages in China/Europe are supporting the high level of shipping freight rates.
- But a rapid increase in deliveries of containerships in the 2023-2024 period will ease the ship's availability problem and lower freight rates. The supply-demand balance is hoped to be restored in the coming years.

Figure 18: YTD containership growth volume vs 2018 (CAGR)



Source: CTS, DNB Markets, RongViet securities

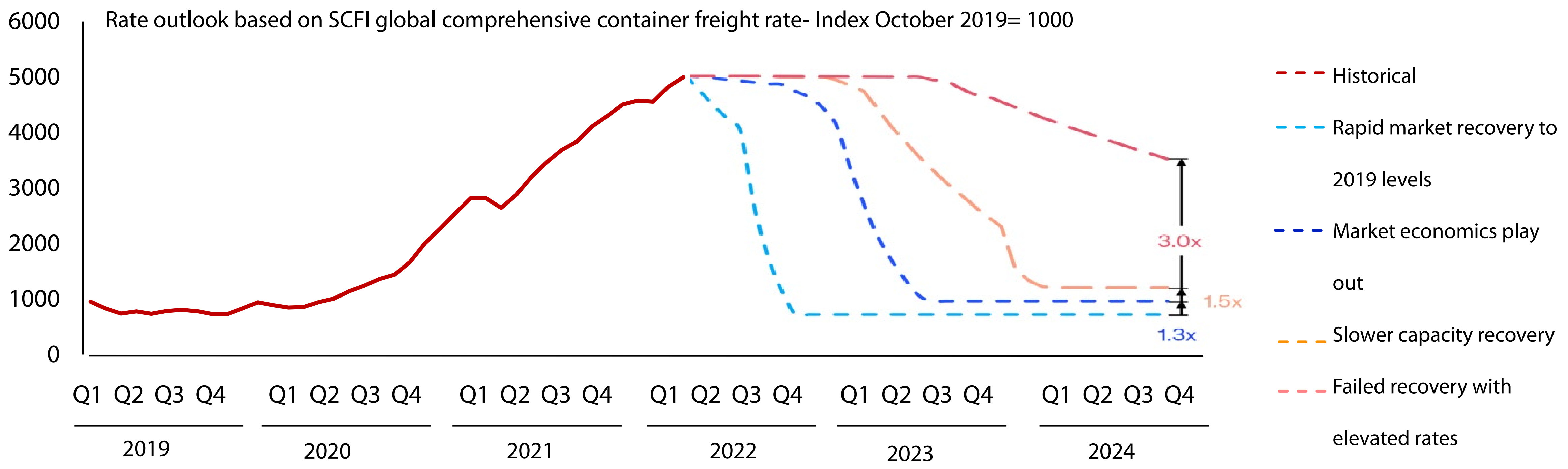
Figure 19: Global containership new order delivery ('000 TEUs)



Source: Clarksons, DNB markets, RongViet securities

- According to Clarkson and Mc Kinsey forecasts, container shipping rates will continue to be at record highs compared to historical ones throughout most of 2022.
- In a rapid market recovery scenario, where logistics capacity recovers quickly, shipping rates will plunge to 2019 level as soon as Q3 2022.
- A worst-case scenario, high freight rates will continue until 3Q2023.

Figure 20: Four possible scenarios for containerized logistics recovery



Source: SIN Clarksons, Mc Kinsey, RongViet securities

WE EXPECT DOMESTIC SHIPPING RATES TO EASE IN 2023

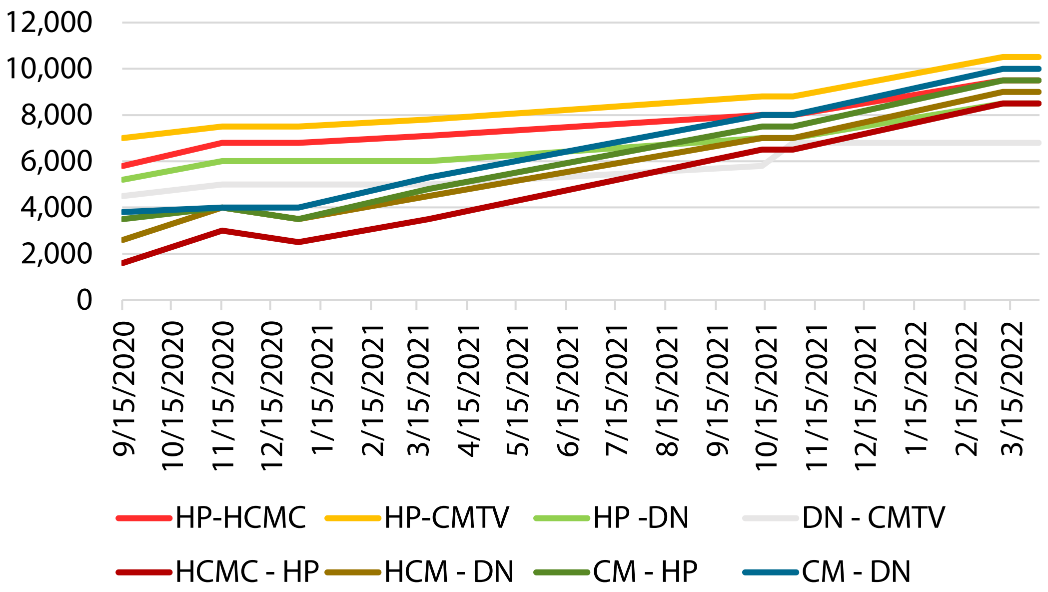
- In order to ride on the charter rate skyrocket in 2021, most of the forwarders have poured their vessels for rent, resulting in a demand–supply imbalance and domestic freight rates have sustainably climbed year to date.
- Nevertheless, we foresee that there will be fewer global charter contracts signed as substantial risk exposure in the upcoming unstable context of the freight rate downtrend.
- We see that there will be plenty of vessels that will finish their contracts and back to domestic routes at the end of 3Q2022. Hence, the market's supply of ships will be less stressful as a number of Vietnamese ships leased in foreign markets arrive in 2022, resulting in a downtrend of domestic routes.

Figure 21: Vietnam container vessels's schedule of finish its charter time

	Ja	Fe	M	Ap	M	Ju	Ju	Au	Se	Oc	No	De
GMD							1/4 *	1/4				
VOSCO				1/2								
GLS									1/6	1/6		
VIMC					1/8							
VISCO				1/5								
NEW PORT								1/4				
HAIAN		1/10	1/10									

Source: HAH, RongViet securities, Note: 1/4 * means 1 container vessel out of 4 vessels will arrive in Vietnam

Figure 22: HAH's shipping rates ('000 VND)



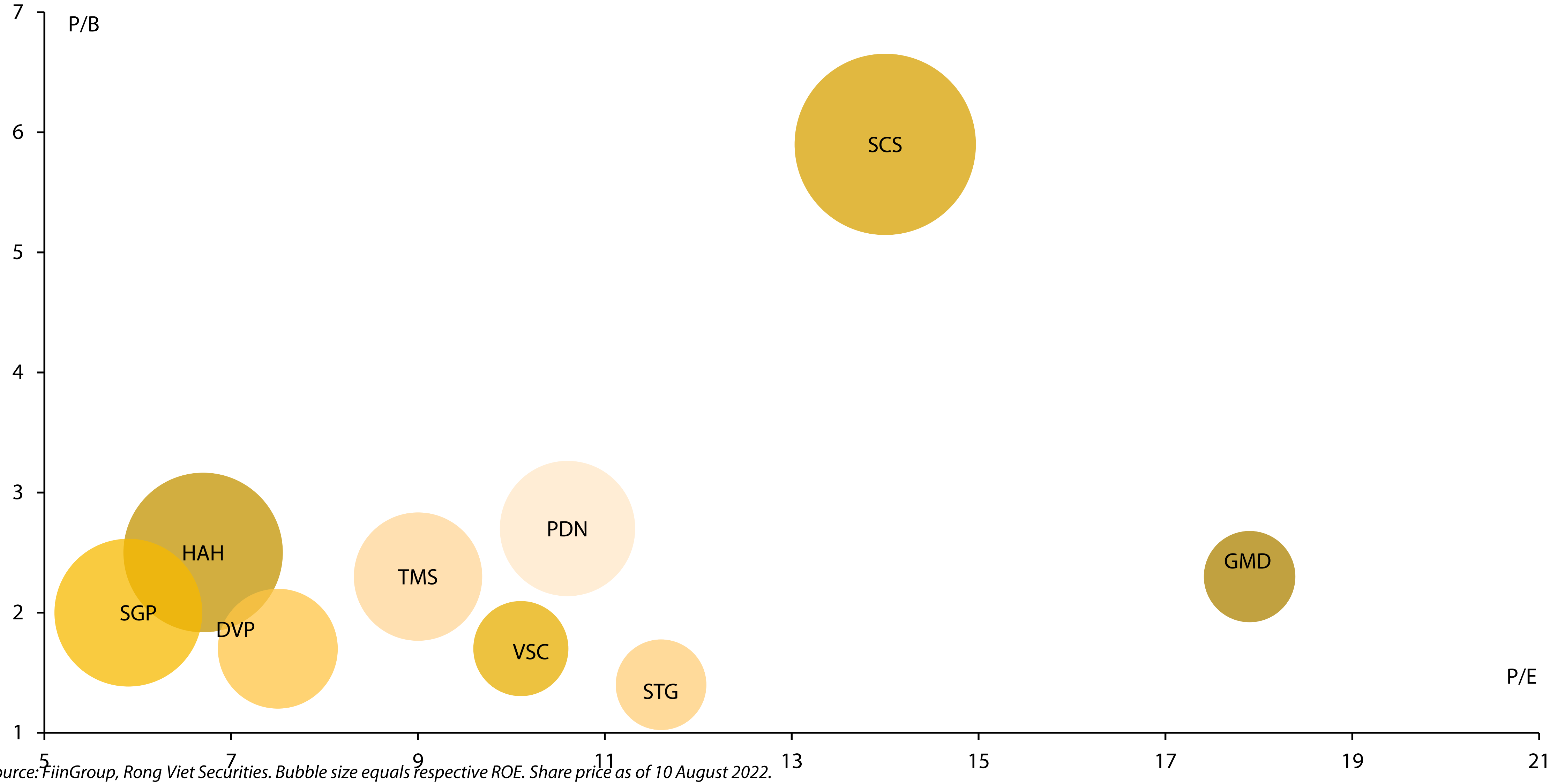
Source: HAH, RongViet securities

INDUSTRY COMPARABLE (TTM)

Ticker	Market cap (VND bn)	Target price (VND)	Sales Growth (% YoY)	EBITDA Growth (% YoY)	EBITDA Margin (%)	Operating Income Margin (%)	Net Income Growth (% YoY)	Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
GMD	15,671.7	61,100	27.8%	31.6%	34.8%	24.4%	100.1%	24.4%	8.2%	12.5%	2.3%	19.2	2.3
SCS	8,092.4	91,100	15.5%	13.8%	0.0%	0.0%	17.4%	69.7%	42.6%	55.7%	1.9%	13.1	6.2
TMS	7,939.5	-	35.2%	-	7.2%	5.5%	97.8%	12.4%	15.2%	26.4%	0.6%	9.9	2.2
SGP	4,823.4	-	47.3%	29.6%	13.0%	8.2%	8.4%	1.9%	1.1%	5.2%	2.7%	5.5	2.0
HAH	4,712.4	59,300	87.1%	218.2%	50.3%	42.3%	231.8%	27.0%	21.7%	45.3%	1.0%	7.5	2.5
VSC	4,626.4	36,000	9.0%	26.5%	37.7%	27.2%	39.3%	19.6%	12.7%	16.4%	1.4%	11.6	1.7
STG	2,687.2	-	16.4%	1.4%	12.2%	8.4%	-4.9%	7.9%	8.6%	13.0%	0.0%	11.5	1.4
DVP	2,100.0	-	5.1%	7.5%	51.2%	42.7%	21.2%	46.0%	19.8%	22.4%	9.5%	7.5	1.6
PDN	2,054.1	-	3.4%	9.1%	31.5%	25.5%	6.3%	20.4%	16.4%	25.4%	4.5%	11.7	2.7

Source: Fiinpro, Rong Viet Securities. Share price as of 10 August 2022.

PE, PB & ROE (TTM)

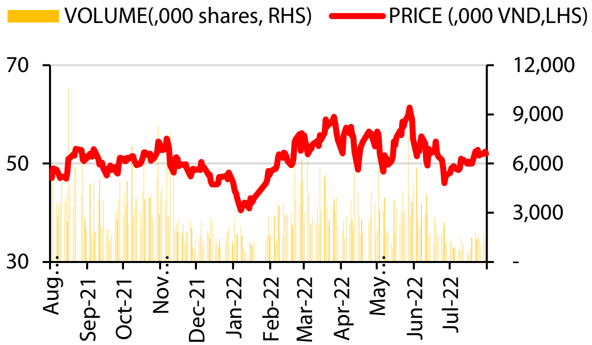


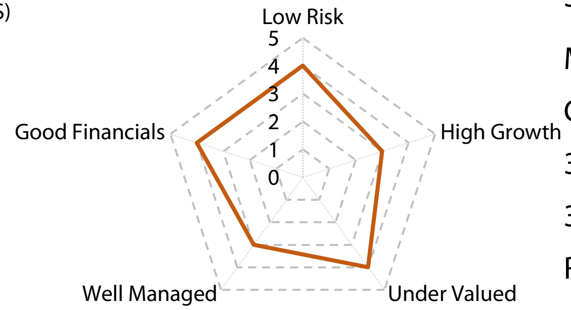
Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of 10 August 2022.

BRIGHT PROSPECT IN THE LONG RUN

HSX: GMD

BUY: +22% **MP: 51,500** **TP: 61,100**





STOCK INFO

Sector	Industrial Goods & Services
Market Cap ($ mn)	670
Current Shares O/S (mn shares)	301
3M Avg. Volume (K)	2124
3M Avg. Trading Value ($ mn)	114
Remaining foreign room (%)	2.9
52-week range ('000 VND)	62.2 - 39.95

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	3,206	3,843	4,097
NPATMI VND bn)	605	1,082	1,162
ROA (%)	5.6%	10.2%	10.0%
ROE (%)	9.6%	15.5%	15.1%
EPS (VND)	2,007	3,589	3,856
Book Value (VND)	20,942	23,423	25,875
Cash dividend (VND)	1,200	1,200	1,500
P/E (x)	24.7	14.3	13.4
P/B (x)	2.1	2.2	2.0

INVESTMENT RATIONALE

Capacity fulfillment from Nam Dinh Vu and Gemalink port will boost the company's profit in 2022. Nam Dinh Vu and Gemalink are going to reach 85% and 91% in utilization rates in 2022 that will bolster the company's earnings. Revenue/PBT are forecasted to be VND 3,843 Bn (or USD 167, +20% YoY) / VND 1,408 Bn (or USD 61 mn, +75% YoY) in 2022. EPS will come at VND 3,589.

Build foundation for the period from 2023 to 2025 with the 2nd phase of Nam Dinh Vu and Gemalink projects

- Riding on this potential growth rate in Cai Mep- Thi Vai area, GMD aims to double its capacity to 3 mn TEUs and puts it into operation from 2024. With great potential in such areas and strongly support from CGM-CMA and its alliance, Gemalink has been and will be the cash cow for the company in the coming years.
- In terms of Hai Phong landscape, GMD plans to bring phase 2A and 2B into operation from 2023 and 2025, respectively, +125% compared to current capacity in such area. Despite of the less competitive edge amid fierce market there, we believe that GMD is able to earn profits thanks to the organic growth in the North area.

Successful divestment of non-core businesses (rubber farming and real estate) will be a potential catalyst in the short and long term. Aside from core earnings, an abnormal return may come from the rubber and real estate segments.

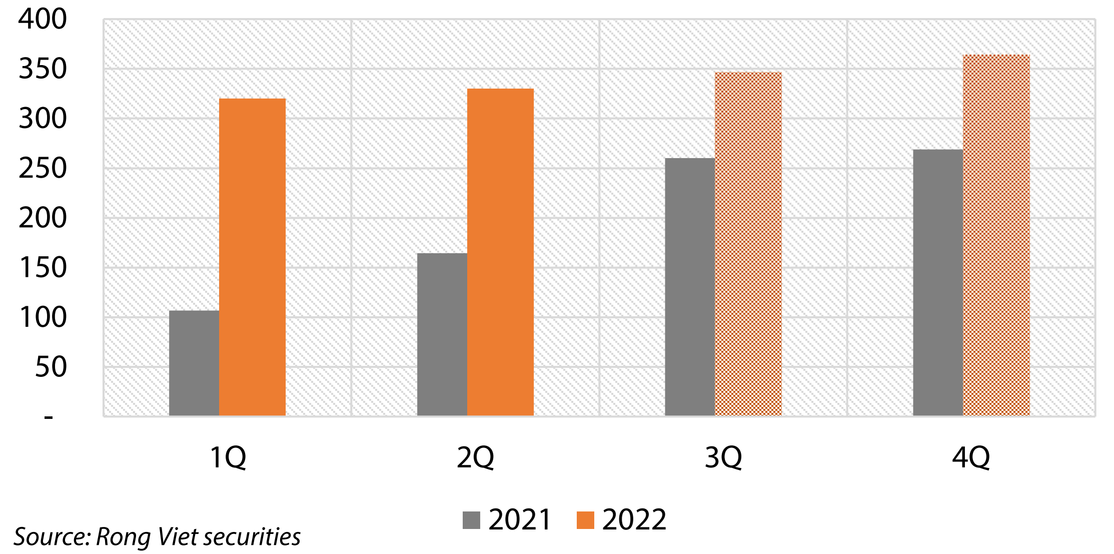
RISKS TO OUR CALL

- Upside risk: Better cost management to expand profit margin, resulting in a higher-than-expected NPATMI.
- Downside risks: Worse-than-expected trade activity that impact throughput and profit.

(*) Upside include VND 1200 of cash dividends in the next 12 months

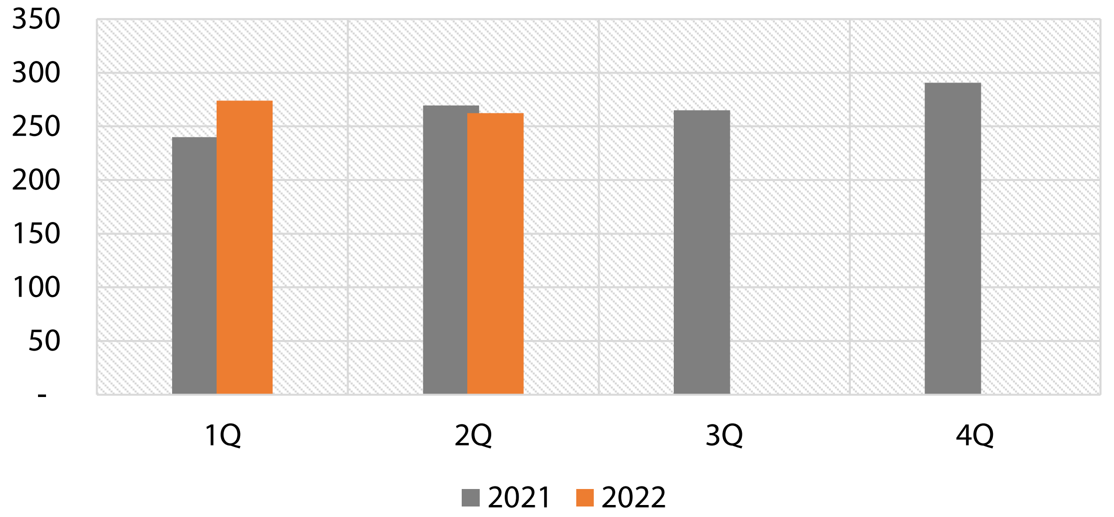
A BOUNCE OF EARNINGS IN 1H2022

Figure 1: Throughput of Gemalink port (TEUs)



Source: Rong Viet securities

Figure 2: Throughput in Hai Phong (TEUs)



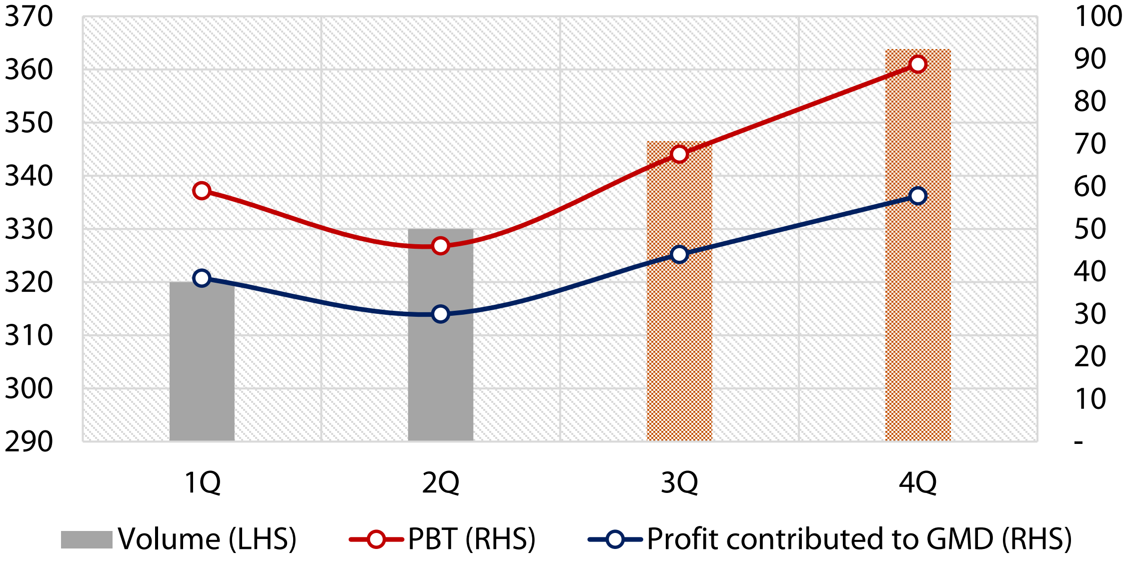
Source: Rong Viet securities

Gemalink terminal has outperformed others in Cai Mep-Thi Vai areas. The Gemalink's throughput doubled in 1H2022 to reach 650,000 TEUs while throughput in Cai Mep -Thi Vai area slightly increased by 2% YoY given (1) Its favorable geographical location and (2) support from strategic investor named CGM-CMA. The volume gradually grow QoQ while net profit margin in 2Q2022 shrank compared to that in 1Q2022 due to financial expenses (VND depreciation and an increase of interest rates).

Throughput in the Hai Phong landscape grew slightly amid the competitive market. Seaports in Hai Phong areas lose their competitive edge since HITC finished its dredging. Throughput in such areas rose by 14% YoY in 1Q2022 while declined by 3% YoY in 2Q2022, resulting in a somewhat climb of 5% YoY in 1H2022.

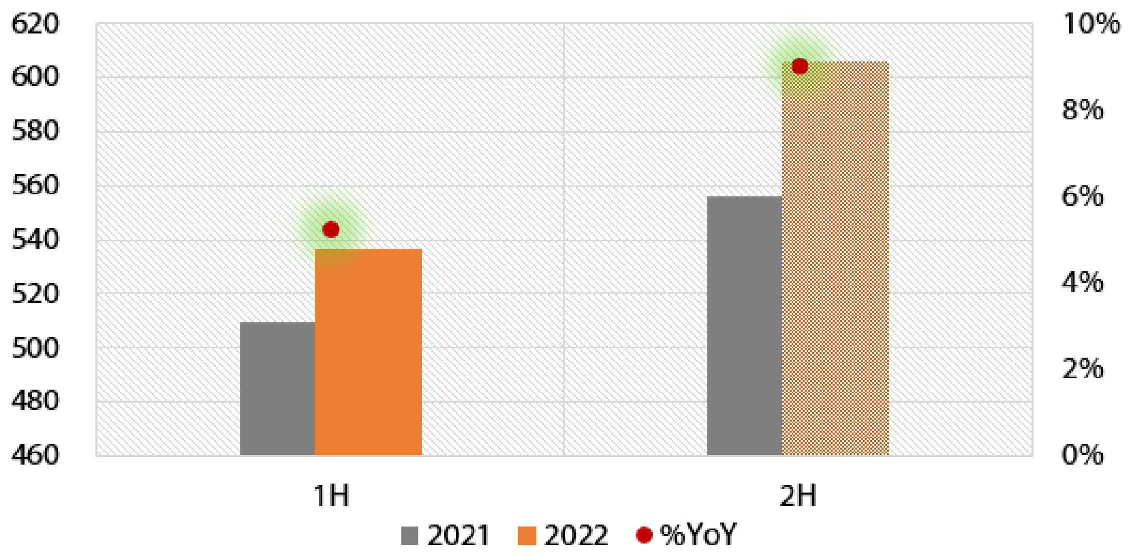
Despite a decline of 2% QoQ/-20% YoY in volume in 2Q2022 (exl. Gemalink), the company's gross profit margin to broaden by 456 bps QoQ /211 bps YoY to 45% thanks to better cost management. Hence, the gross profit margin expanded by 200 bps in 1H2022. Comprising a 2.5 times gain from subsidiaries to VND 226 (or USD 9.8 mn) in 1H2022, NPATMI nearly doubled to VND 562 bn (or USD 24.4 mn) in 1H2022.

Figure 3: Est. Gemalink's volume ('000 TEUs) and results (VND bn)



Source: Rong Viet securities

Figure 4: Est. Volume (LHS, '000 TEUs) and growth (RHS) in HP



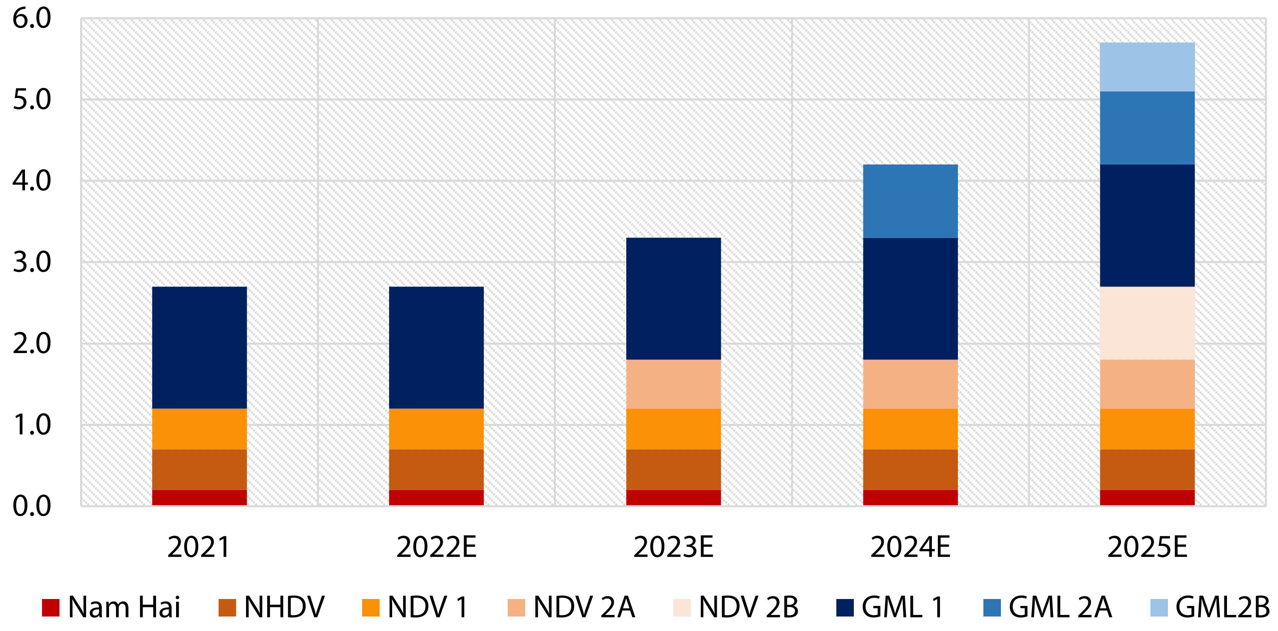
Source: Rong Viet securities

Port cluster in Hai Phong areas continues to grow in 2H2022 thanks to the peak season. In 2021, Nam Dinh Vu port utilized 77% of its capacity. The company plans to fully utilize this port's capacity in 2022, however, we foresee this target as relatively challenging. Per our estimation, Nam Dinh Vu port will reach 85% utilization in 2022, equivalent to a rise of 9% YoY in volume terms. Generally, we forecast throughput in the Hai Phong landscape to climb 9% YoY to 606k TEUs in 2H2022.

Gemalink's throughput are forecasted to sustainably rise in 2H2022 on the back of contribution from strategic partner (CGM-CMA and its alliance). A surge of 70% YoY in volume will turn a minimal profit in 2021 to VND 272 bn in PBT (or USD 11.8 mn), contributing roughly VND 177 bn (or USD 7.7 mn) to GMD in 2022.

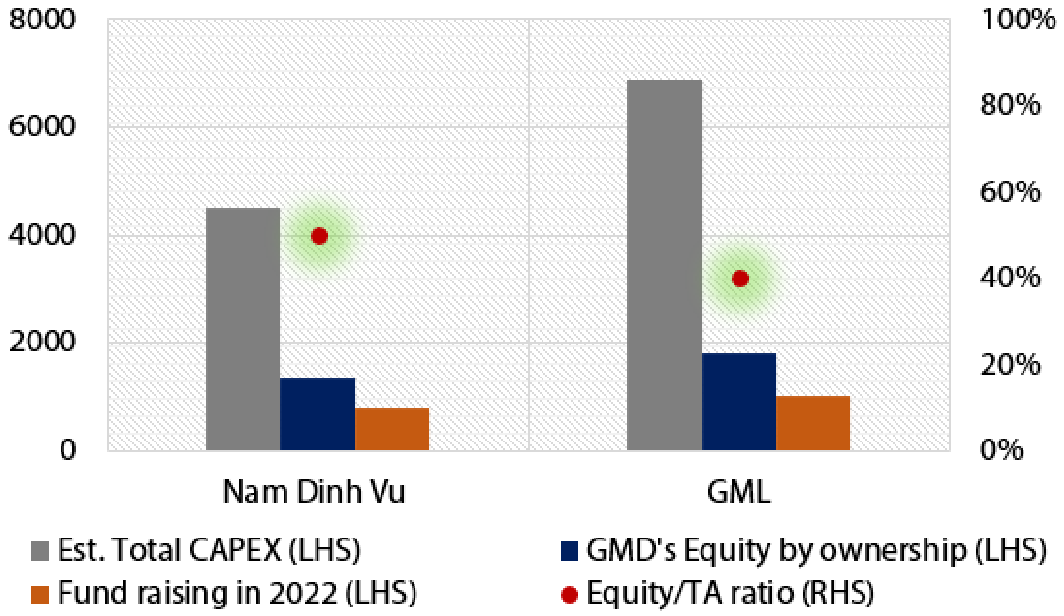
Altogether, revenue are forecasted to reach VND 3,843 bn (or USD 167 mn), +20% YoY while PBT is going to bounce by 75% YoY to VND 1,408 bn (or USD 61 bn) in 2022.

Figure 5: Capacity in coming years (mn TEUs)



Source: Rong Viet securities

Figure 6: Estimated funding (VND bn)

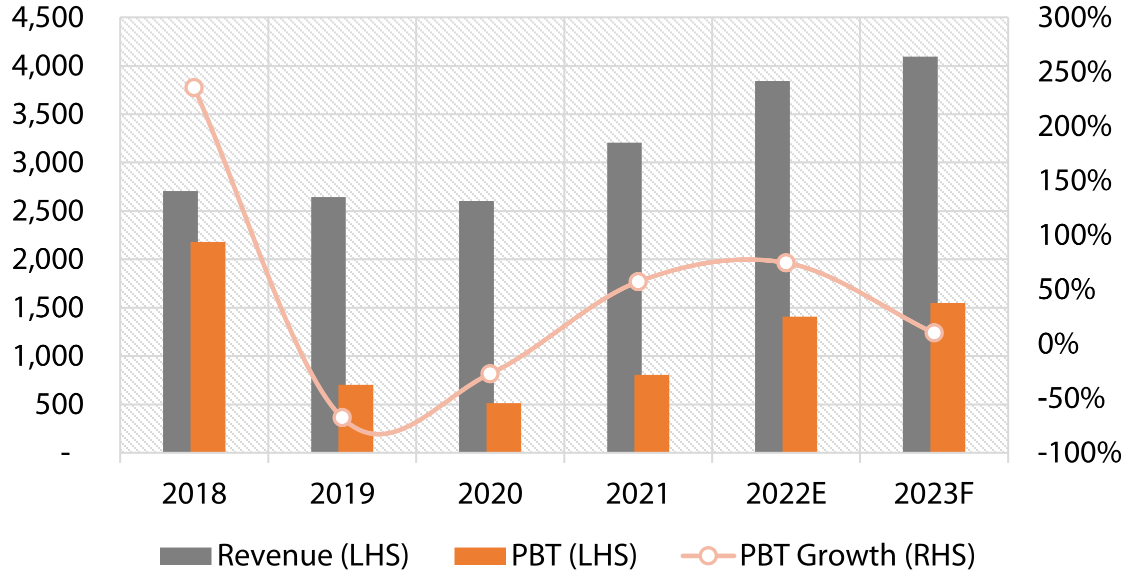


Source: Rong Viet securities

Located in the CM-TV area with great potential for development into the main international trade gateway, GML has plenty of growth potential. Riding on these potential growth rates, GMD aims to double its capacity to 3 mn TEUs and put it into operation from 2024. Comprising of strategic partner, we believe that the Gemalink cluster port is going to become a cash cow for GMD in the coming years.

In terms of Hai Phong cluster port, Nam Dinh Vu port has less competitive edges amid fierce market in such area. However, in order to enjoy organic growth in the Hai Phong landscape, GMD plans to bring phase 2A and 2B into operation from 2023 and 2025, respectively, +125% compared to current capacity.

Figure 7: Forecasts (VND Bn)



Source: Rong Viet Securities

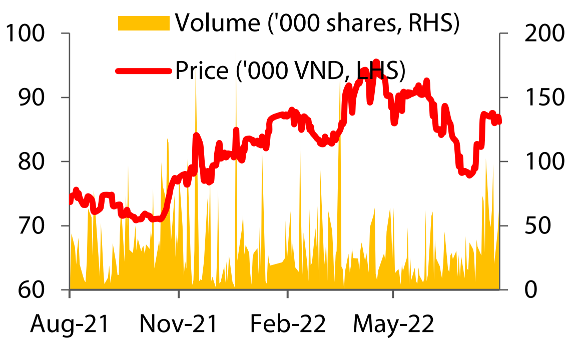
In 2022F/23F, we expect revenue to reach VND 3,843 Bn (or USD 167, +20% YoY)/ VND 4,097 Bn (or USD 178, +7% YoY). Accordingly, PBT for 2022/23F is expected to reach VND 1,408 Bn (or USD 61 mn, +75% YoY)/ VND 1,550 Bn (or USD 67mn, +10% YoY), strongly supported by gains from GML.

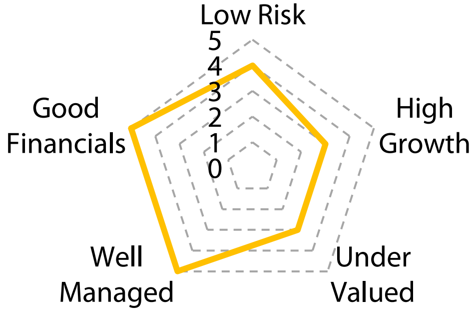
Table 1: SoTP valuation summary

Component	Methodology	Equity Value	GMD's ownership rate	Discount	Fair Equity Value attributable to GMD
Port and logistics	**FCFF (WACC: 11.4, g: 2,1)**	**8,029**		**0**	**11,236**
Logistics & Shipping JVs	**P/E, FCFE**	**16,909**			**5,961**
SCSC	P/E & FCFE	7,719	34.5	0.0	3,329
CJ GMD Logistics	P/E (@10x 2021F EPS)	1,117	49.1	0.0	765
CJ GMD Shipping	BV	173	51.0	0.0	154
Gemalink	FCFF (WACC: 9.5, g: 1)	7,901	65.1	0.0	1,713
Non-operating assets	**BV**	**1,976**			**1,222**
Shares in other firms	BV	438		0	453
Rubber subsidiaries	BV	1,537	100	50	769
Total (VND Bn)					**18,419**
Number of Shares (Mn shares)					**301.4**
Implied TP					**61,100**

GROWTH TO DECELERATE IN 2H 2022

ACCUMMULATE: 12% **MP: 85,000** **TP: 91,900**





STOCK INFO

Sector	Air Freight Terminal
Market Cap ($ mn)	342.5
Current Shares O/S (mn shares)	7,979.8
3M Avg. Volume (K)	30
3M Avg. Trading Value ($ mn)	0.0
Remaining foreign room (%)	3.3
52-week range ('000 VND)	70.9-95.6

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	839	926	1,035
NPATMI VND bn)	564	634	720
ROA (%)	39.8%	29.6%	29.3%
ROE (%)	45.1%	30.4%	30.0%
EPS (VND)	11,106	6,023	6,914
Book Value (VND)	24,619	22,235	25,571
Cash dividend (VND)	3,000	3,600	3,600
P/E (x)	13.5	14.1	12.3
P/B (x)	6.1	3.8	3.3

INVESTMENT RATIONALES

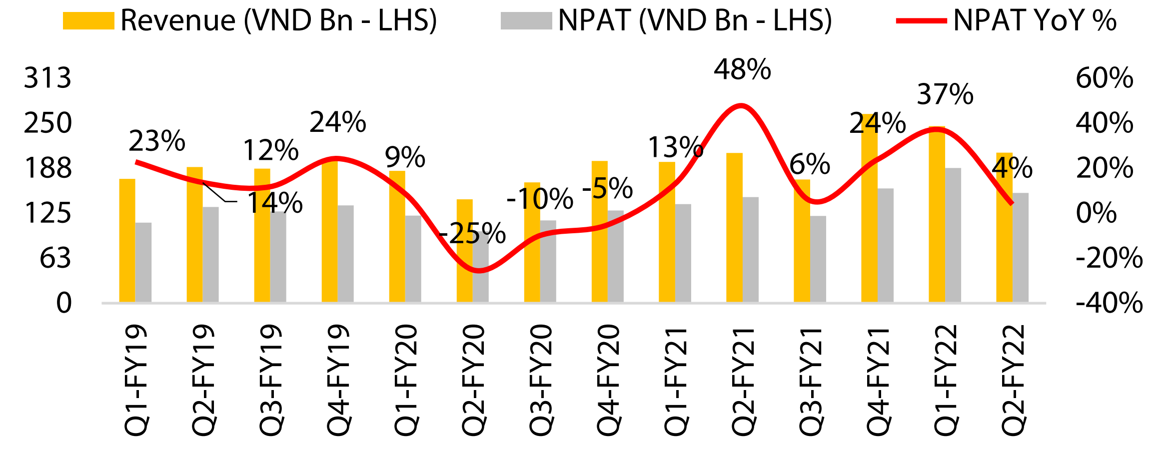
We expect the global air cargo volume to face headwinds in 2H-2022 due to the impact of high inflation in key trading partners' economies. International cargo volume normalized in Q2-2022 due to (1) disruption in global supply chain caused by China "zero covid" policy and (2) high inflation in the US and EU impacted consumption demand and trade activities. While China has gradually eased its restrictions, we concern that the high inflation will remain in the coming quarters, and impact the Vietnam trade outlook. Besides, the sea freight shipping rates has reduced by nearly one third YoY by August 2022, which should be a downside to air cargo demand.

However, we believe the long-term outlook remain intact as we expect the inflation to be under control in 2023. We expect the 3Y CAGR of international cargo volume to stay at 10% over 2022F-25F, driving NPAT's 3Y CAGR to 11% over the same period. However, 2022F P/E of 14.1x implies that SCS is rather fairly valued.

RISKS TO OUR CALL

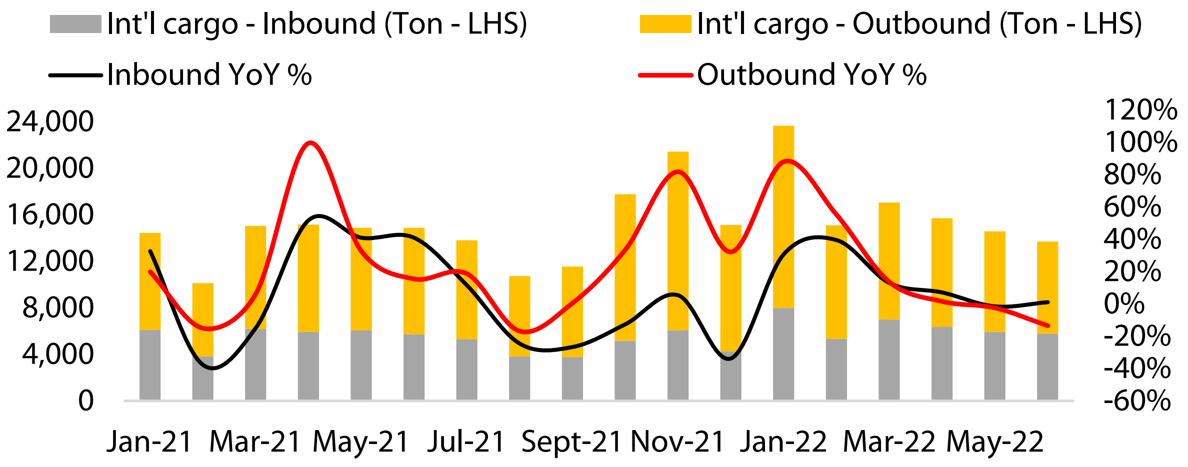
- High inflation to discourage global consumption demand, weakening Vietnam trading activities.
- Potential upside from the Long Thanh International Airport's cargo terminal project.

Figure 1: Sales and profit flatted in Q2-2022



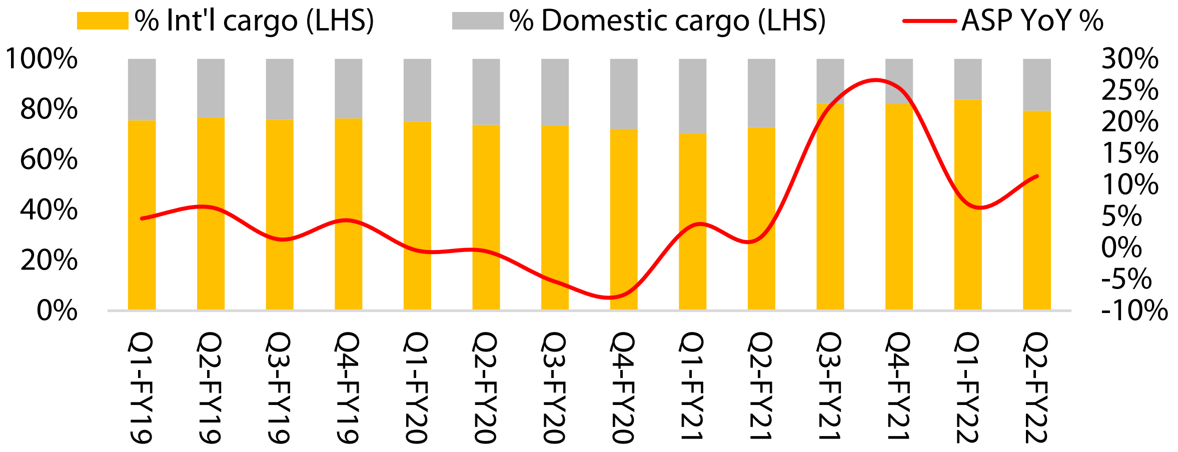
Source: SCS, Rong Viet Securities

Figure 2: International cargo volume normalized



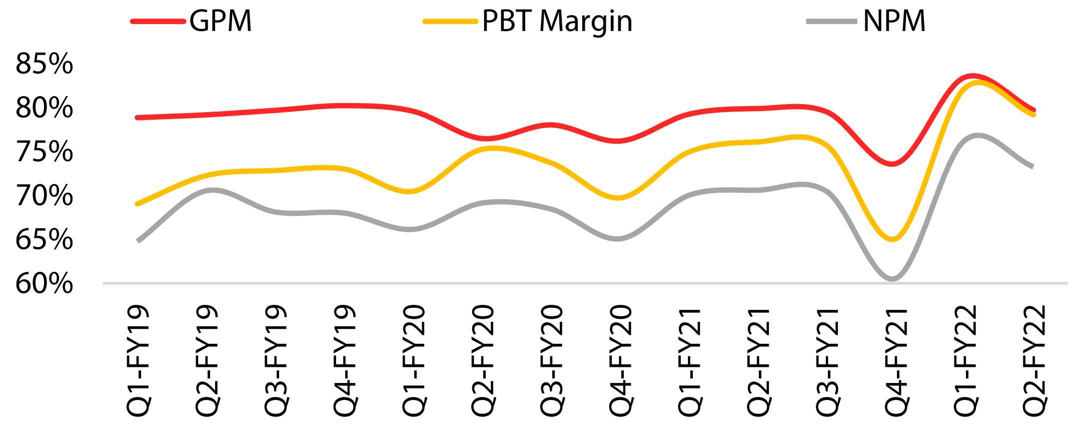
Source: SCS, Rong Viet Securities

Figure 3: ASP continued to improve in Q2-2022



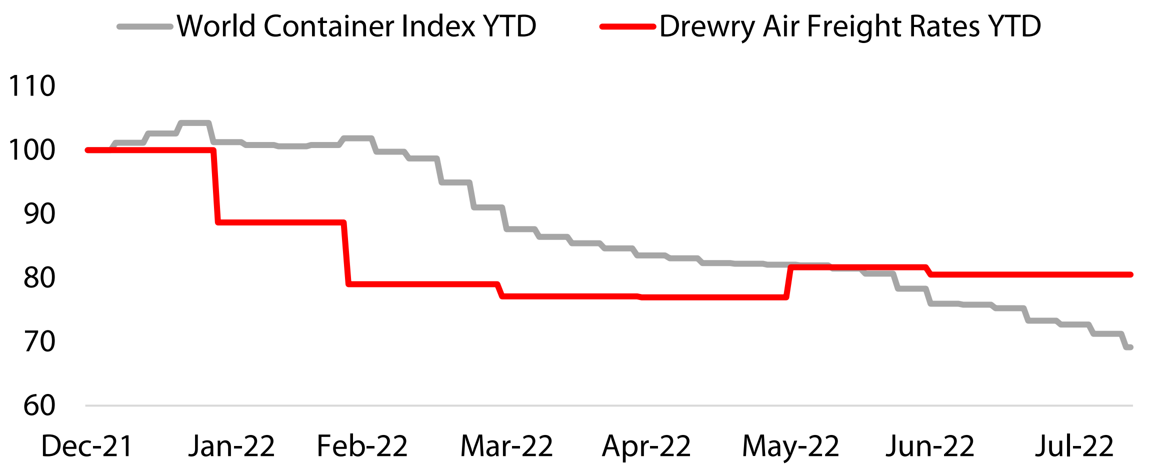
Source: SCS, Rong Viet Securities

Figure 4: Profit margins



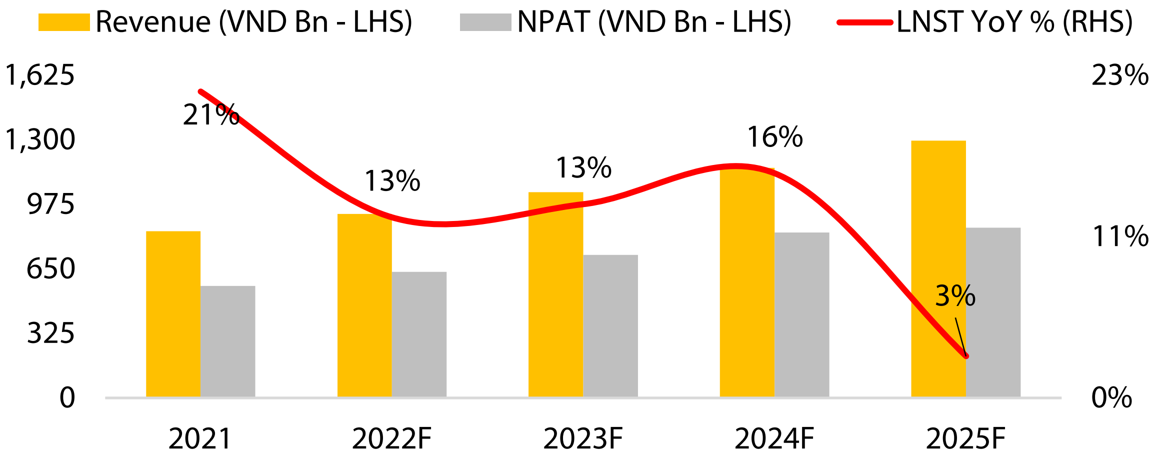
Source: SCS, Rong Viet Securities

Figure 5: Sea shipping rates vs air freight rates



Source: Bloomberg, Rong Viet Securities

Figure 6: 2022F-25F forecasts



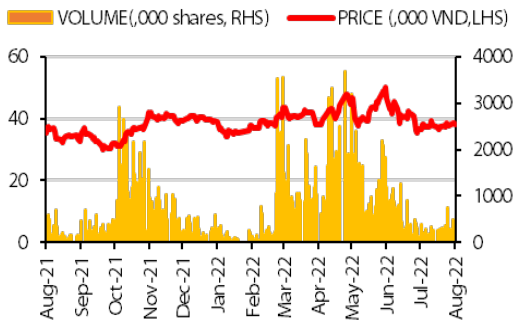
Source: SCS, Rong Viet Securities

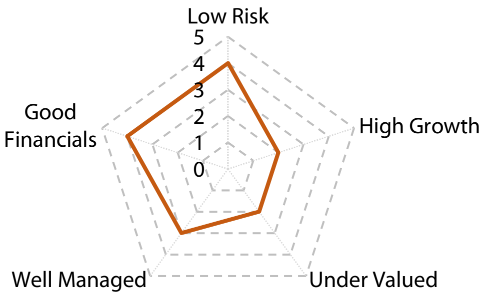
We expect international cargo volume, SCS's main source of profit, to grow at a CAGR of 10% during 2022F-25F thanks to resilient trade flows supported by Vietnam's increasing integration in the global supply chain, despite a temporary headwind from high inflation.

As a result, we project that NPAT will have a resilient CAGR of 11% over the period 2022F-25F. We note that by 2025 SCS will subject to a regulatory CIT rate of 20% from current rate of 10%, which will reduce NPAT growth rate in 2025F.

EFFICIENT MANAGEMENT RESTRUCTURING

NEUTRAL: -4% **MP: 37,850** **TP: 36,000**





STOCK INFO

Sector	Industrial Goods & Services
Market Cap ($ mn)	198
Current Shares O/S (mn shares)	121
3M Avg. Volume (K)	647
3M Avg. Trading Value ($ mn)	27
Remaining foreign room (%)	43.6
52-week range ('000 VND)	50 - 30.16

FINANCIALS

FINANCIALS	2021A	2022F	2023F
Revenue (VND bn)	1,892	1,968	2,053
NPATMI VND bn)	350	404	432
ROA (%)	10.7	11.2	11.1
ROE (%)	13.3	13.6	13.6
EPS (VND)	1,374	2,971	3,177
Book Value (VND)	23,835	24,548	26,299
Cash dividend (VND)	500	500	500
P/E (x)	27.5	12.7	11.9
P/B (x)	1.6	1.5	1.4

INVESTMENT RATIONALE

Gross profit margin has expanded quarter over quarter thanks to management restructuring since 2Q2021

- The company operated more efficiently after it restructured since 2Q2021, resulting in better results. By scaling down outsourcing container handling via associate port namely PTSC Dinh Vu, outsourcing volume reduced while direct container throughput at VIP Green and Green Port experienced a reverse trend. Gross profit margin has expanded gradually since 2Q2021. In 1H2022, gross profit margin widen 488 bps to 35% while that in 1H2021 was 30%.
- The capacity fulfillment of VIP Green port will play as the main driver to boost the company's earnings in coming years. Besides, the organic growth in Hai Phong landscape is going to drive VIP Green port's throughput. In 2022, revenue/NPATMI are forecasted to be VND 1,968/ 404 bn (or USD 86/ 16 mn), +4%/+15% YoY thanks to (1) The efficient restructuring management since 2021 and (2) Throughput growth of VIP Green and Green port.

The new BoD is aggressive to merge associates in the logistic industry to facilitate its operations. Due to being long-term debt free, VSC produces solid cash flow year over year from its core operations, hovering around VND 500 bn (or USD 21.7 mn) per annum. Capitalizing on this, VSC attempts to acquire more subsidiaries in the logistic industry and expects this to bear fruit soon while currently, these investments are incurring loss through VIMC Dinh Vu port and ICD Quang Binh.

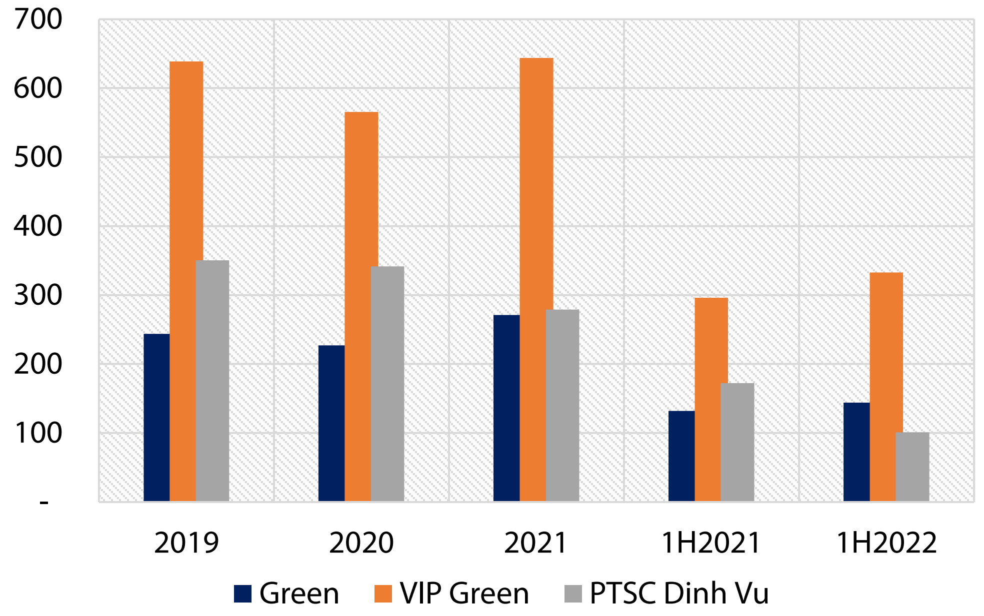
Ambiguous outlook despite of the ambitious expansion plan with new deep-water ports. We believe that VSC will take time to develop the deep-water seaports in Da Nang and Hai Phong. Hence, the long-term outlook is ambiguous and is more on betting on the new management team's ability.

RISKS TO OUR CALL

- Upside risk: Those investments might be profitable sooner than expected.
- Downside risks: Worse-than-expected throughput in Hai Phong areas that affects growth.

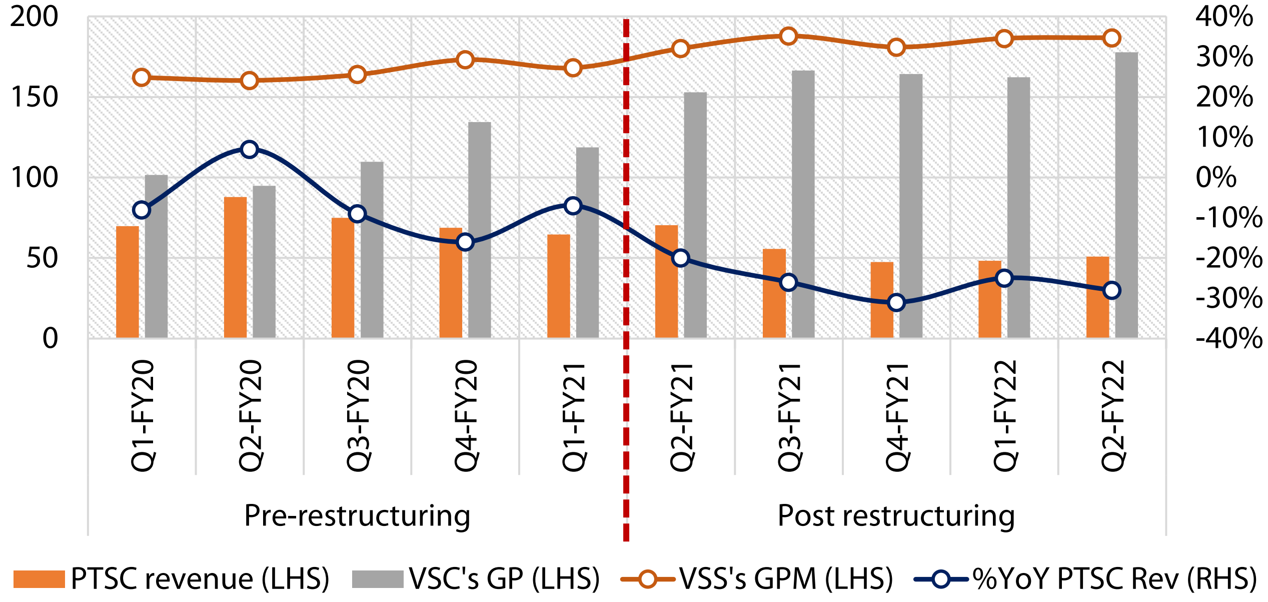
MANAGEMENT RESTRUCTURING TO EXPAND GPM IN 1H2022

Figure 1: Volume by port ('000 TEUs)



Source: VSC, Rong Viet Securities

Figure 2: VSC and PTSC port correlation (VND bn)

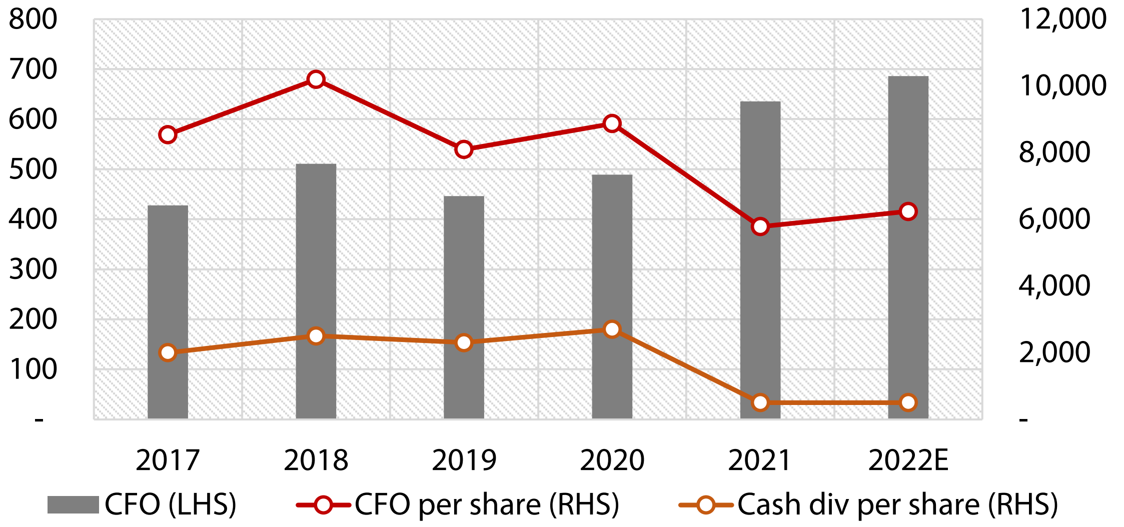


Source: VSC, Rong Viet Securities

Gross profit margin has expanded quarter over quarter thanks to restructuring since 2Q2021

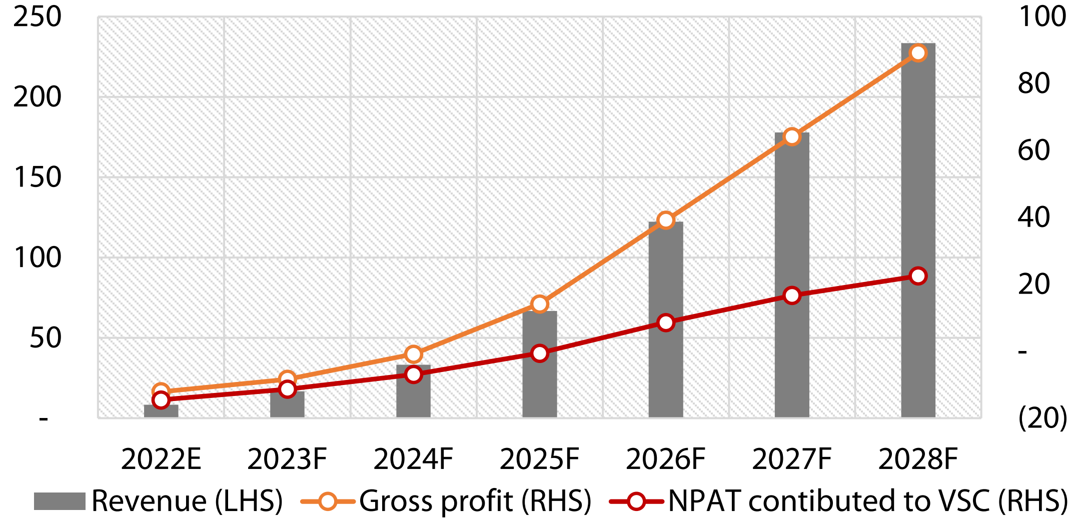
- By scaling down outsourcing container handling via associate port namely PTSC Dinh Vu, outsourcing volume reduced while direct container throughput at VIP Green and Green Port experienced a reverse trend. Specifically, the throughput of VIP Green/ Green port rose 12%/9% YoY to roughly 333/ 144 ('000 TEU) while that of PTSC Dinh Vu slumped by 41% YoY in 1H2022.
- A loss of VND 9 bn (or USD 0.39 mn) from associate in 2Q2022 was the result of VIMC Dinh Vu port. Being at early phase of the project, the company will take time to gain profit from this investment.
- In 1H2022, revenue rose by 8%YoY to VND 981 bn (or USD 42.6 mn) yet NPATMI edged by 23% YoY to VND 184 bn (or USD 8 mn). Net profit margin bolstered by 240 bps on the back of (1) Lower the company's outsourcing expenses and (2) Higher direct container volume.

Figure 3: CFO (VND bn) and cash dividend per share (VND)



Source: VSC, Rong Viet Securities

Figure 4: Estimated VIMC results (VND bn)



Source: VSC, Rong Viet Securities

The new BoD is aggressive to merge associates in the logistic industry to facilitate its operations

(1) VSC bought a 36% stake in VIMC Dinh Vu - a 240m-one-berth terminal, in 3Q2021, and put it into operation from 2Q2022. Due to a small-sized berth, VIMC is unattractive to international vessels but domestic cargoes in the early phase, in our view. Hence, revenue is unlikely to cover high-interest expenses and depreciation, resulting in a loss in 2Q2022.

(2) VSC also accumulated ICD Quang Binh in 2Q2022. However, we need to see how VSC transforms an accumulated loss company in coming years.

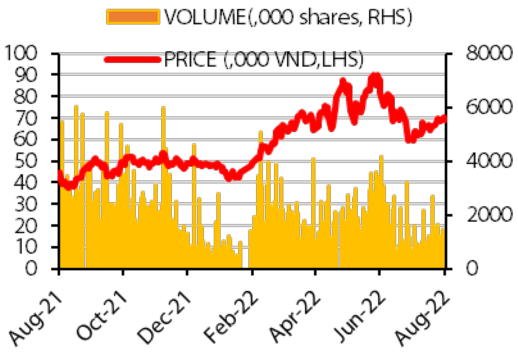
In 2022, revenue/NPATMI are forecasted to be VND 1,968/ 404 bn (or USD 86/ 16 mn), +4%/+15% YoY thanks to (1) The efficient restructuring management since 2021 and (2) Throughput growth of VIP Green and Green port.

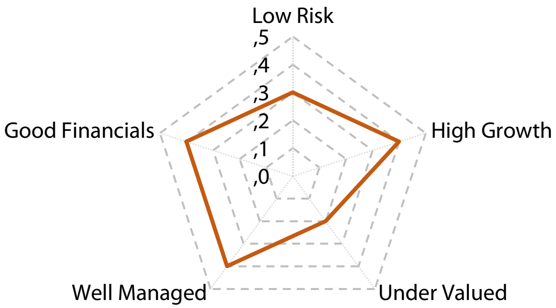
Ambiguous outlook despite of the ambitious expansion plan thru deep-water ports. The company is enthusiastic to invest in deep-water seaport in Da Nang and Hai Phong – a "hot cake" that all investors are eager to achieve. Hence, we need to wait to see if the company is able to benefit from this investment. Year to date, those projects are pending investment approval.

HEADWINDS AHEAD

HSX: HAH

REDUCE: -12% **MP: 67,500>** **TP: 59,300>**





STOCK INFO

Sector	Industrial Goods & Services
Market Cap ($ mn)	202
Current Shares O/S (mn shares)	68
3M Avg. Volume (K)	1704
3M Avg. Trading Value ($ mn)	127
Remaining foreign room (%)	27.2
52-week range ('000 VND)	92.9 - 36.93

FINANCIALS

	2021A	2022F	2023F
Revenue (VND bn)	1,955	2,562	2,428
NPATMI VND bn)	446	862	719
ROA (%)	16.7%	24.1%	16.9%
ROE (%)	34.0%	45.7%	28.3%
EPS (VND)	9,133	11,735	9,786
Book Value (VND)	31,809	32,461	41,973
Cash dividend (VND)	1,000	1,000	1,000
P/E (x)	7.4	5.8	6.9
P/B (x)	1.7	2.1	1.6

INVESTMENT RATIONALE

Earnings from the charter segment are set to double in 2022F. HAH is a beneficiary in the context of global freight rates skyrocketing in 2021. The company gained several high charter rate contracts from mid-3Q2021, which secures the company's profit up to 2023 in this segment. We forecast revenue from the charter rate segment more to double in 2022 to roughly VND 600 bn (or USD 26 mn).

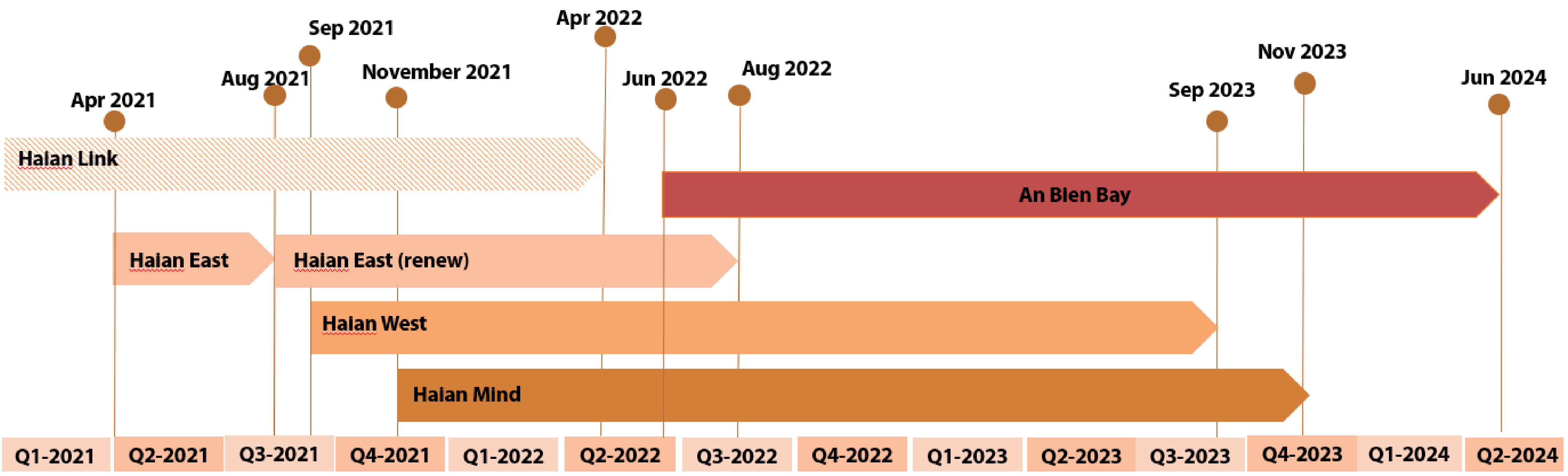
Benefit from domestic transportation market in both volume and shipping rates. Yet the company will likely lose these favorable conditions at the end of 2022. Due to the fact that local shipping companies poured their vessels for rent, domestic routes' demand has surpassed supply. Hence, transportation-domestic volume and freight rate have surged. HAH still enjoyed those favorable conditions in 1H2022 and eill starts to gradually lose that at the end of this year in line with the cooldown of global ocean rates.

The company will continue to add more vessels to its portfolio from 2023 to 2025. HAH plans to acquire four vessels in the coming years in order to (1) Developing Intra – Asia routes thru cooperation with ZIM; (2) Add more domestic routes to favor shipping demand growth in coming years.

RISKS TO OUR CALL

- Upside risks: Vessels supply shortage that may raise charter rates to new-highs, resulting in higher charter rates that boost the company's profit.
- Downside risks: Worse-than-expected domestic freight and charter rates at the end of this year, resulting in a shrinking of profit margin and a sharp fall in NPAT.

Figure 1: Charter timeline



Source: HAH, Rong Viet Securities

Fixed charter rates contracts secured high level of earnings in 1H2022

- In order to ride on the worldwide freight rates surge, HAH quickly bought two vessels in Apr 2021 and started to gain charter contracts in mid-3Q2021. As the contract term extends for one or two years, the company is going to achieve a high level of charter rate in 2022 and 1H2023 regardless of the global-ocean-rates downtrend.
- Currently, three of four vessels are for rent with level of roughly USD 31,000/day while ANBIEN Bay achieves higher level of USD 40,000/day (HAH owned 24%) from Jun 2022.

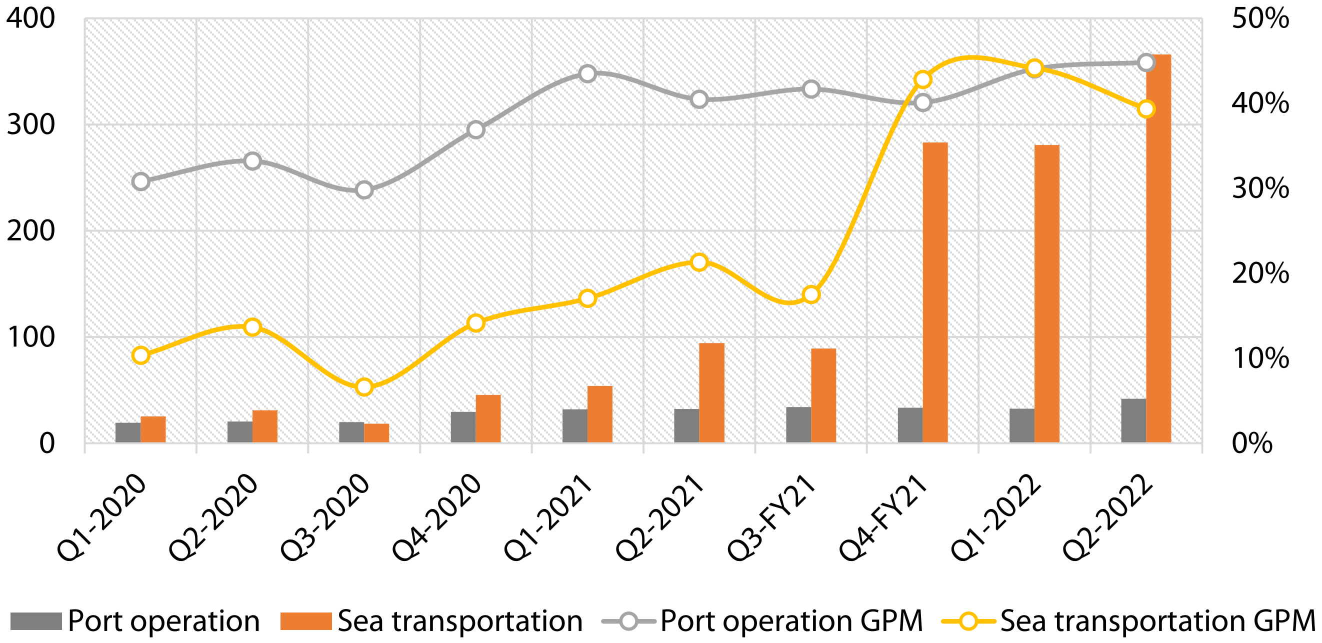
SUPERIOR GROSS PROFIT MARGIN IN 1H2022

Figure 2: Vessel list

Name	Capacity (TEU)	Status
HAIAN PARK	787	Operation
HAIAN TIME	1032	Operation
HAIAN LINK	1060	Operation
HAIAN BELL	1200	Operation
HAIAN VIEW	1577	Operation
HAIAN CITY	1577	Operation
HAIAN EAST	1702	Time Charter
ANBIEN Bay	1708	Time Charter
HAIAN WEST	1740	Time Charter
HAIAN MIND	1794	Time Charter

Source: HAH, Rong Viet Securities

Figure 3: Gross profit breakdown (VND bn) and GPM

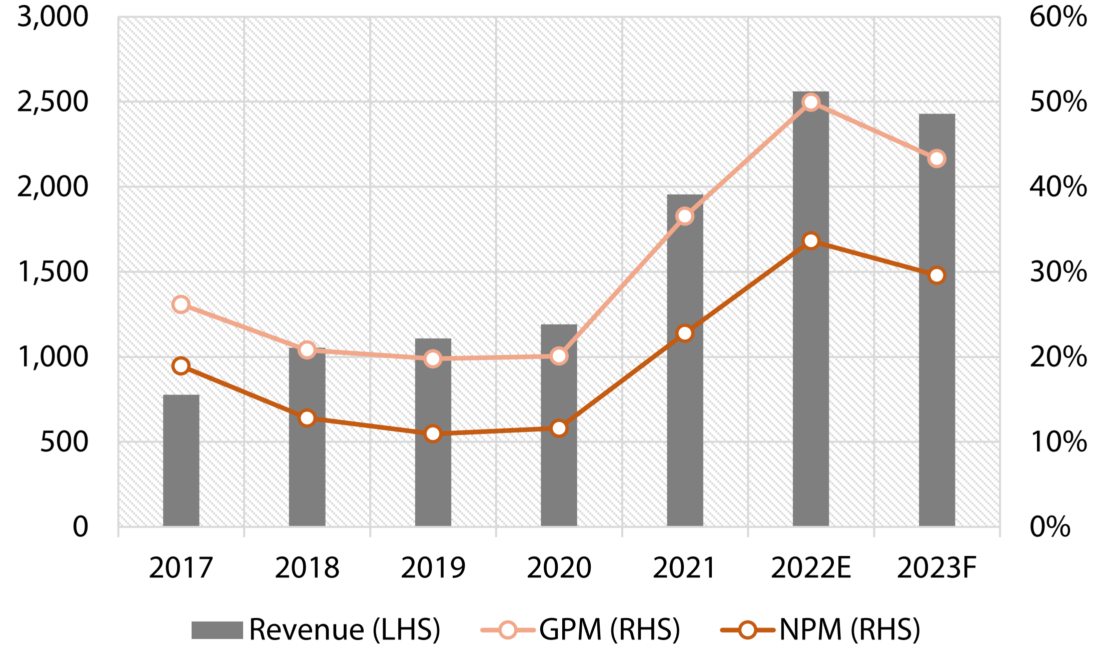


Source: HAH, Rong Viet Securities

Domestic transportation segment has enjoyed high load factors and shipping rates

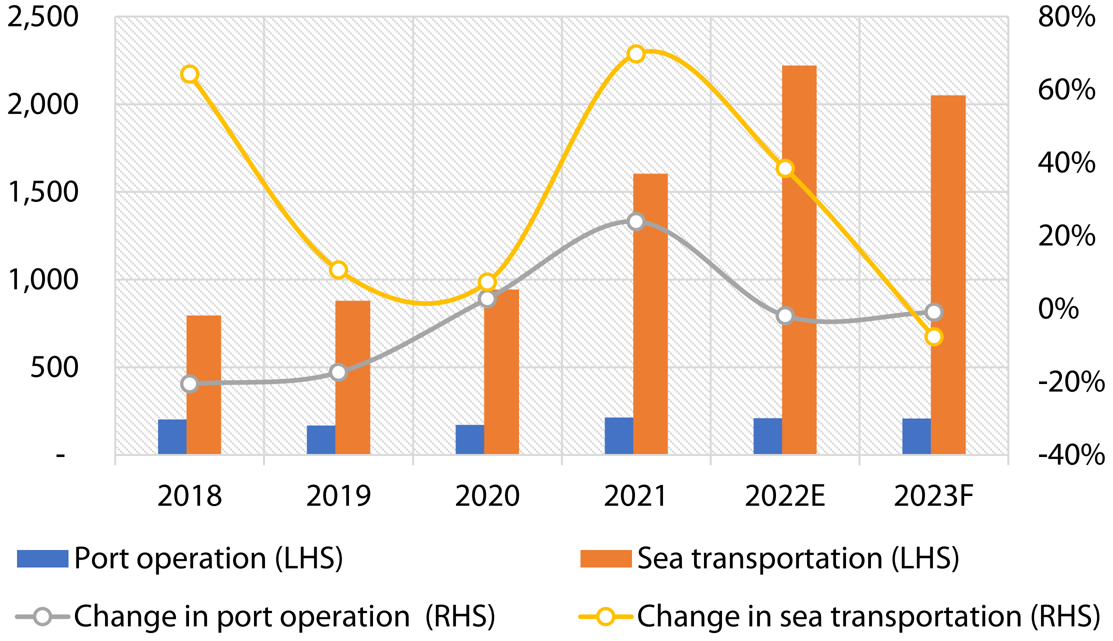
- As the industry's domestic shipping capacity has been lower than that in previous months, not only domestic shipping rates remained high but also fulfillment rates.
- Altogether, HAH's GPM of sea transportation segment has expanded by 1948 bps to 49% in 1H2022 while that in history was 17% on a 5-year average basis.
- Revenue and NPATMI in 1H2022 were VND 1,582 bn and VND 440 bn, (or USD68 mn and USD19 mn), +96% and 195% YoY, respectively. Such high earnings should be maintained in 3Q2022, yet we expect earnings to slow down in 4Q2022 as the domestic shipping capacity increases.

Figure 4: Estimated results (VND bn)



Source: HAH, Rong Viet Securities

Figure 5: Revenue breakdown (VND bn) and % YoY



Source: HAH, Rong Viet Securities

HAH has enjoyed a superior gross profit margin thanks to external-favorable factors. Mantaining such high a profit margin is challenging

- NPATMI in 2H2022 is forecasted to be lower than that in 1H2022 given by (1) Difficulty to maintain charter contracts at such a current high level; (2) Domestic freight rates encounter the probable correction due to more vessels supply and the cooldown of shipping demand in 2H2022. Hence, we forecast revenue/ NPATMI to be VND 2,562/ 862 bn (or USD 111/ 37 mn), +31% YoY/ +93% YoY.
- The world container rates started to correct from their peak. These rates will probably correct yet stay at the higher level compared to the historical ones. Hence, we forecast NPATMI in 2023F to decrease by 17%YoY to VND 719 bn (USD 31 mn).

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