RONG VIET
SECURITIES

PRELIMINARY 2H2021 OUTLOOK

LOGISTICS INDUSTRY

GLOBAL RECOVERY TO DRIVE VOLUME GROWTH

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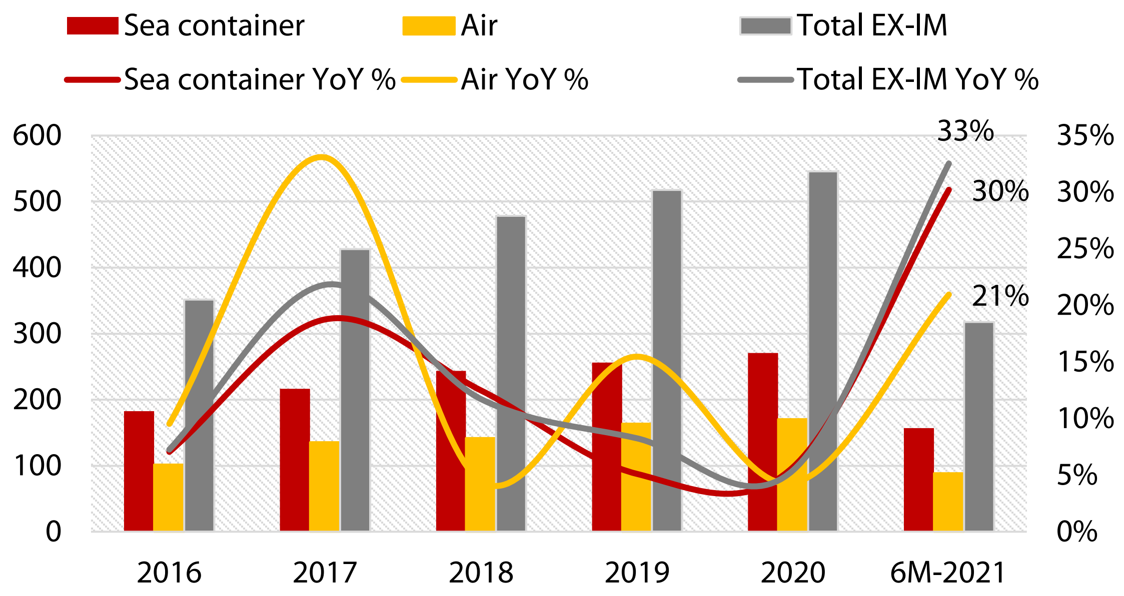
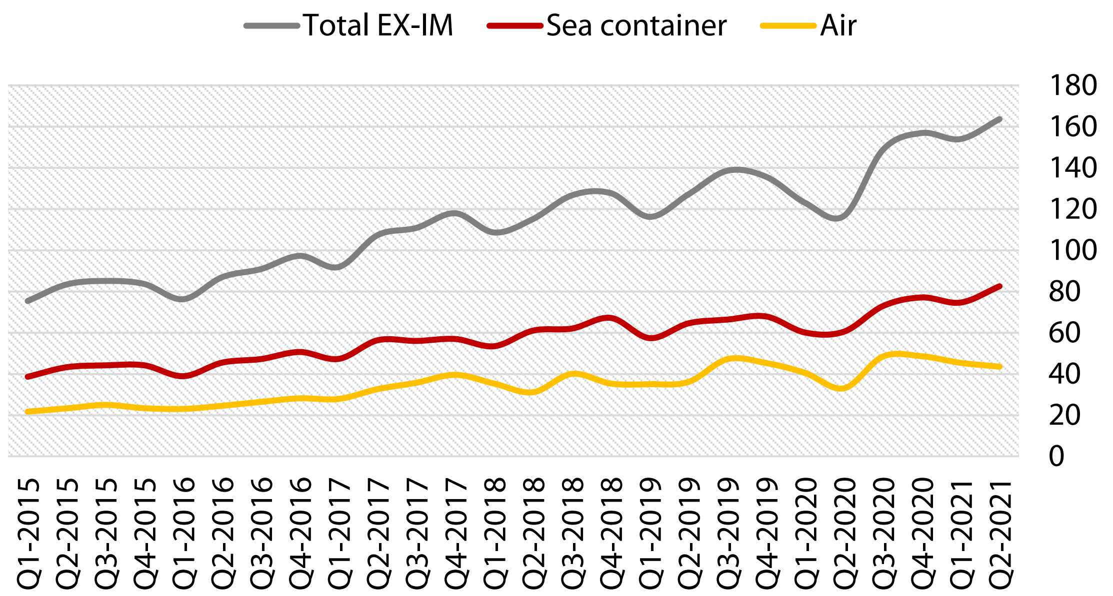
Figure 1: EX-IM value by transport mode (USD bn)



Source: Vietnam Customs, Rong Viet Securities

Figure 2: Quarterly trade value by transport mode (USD bn)



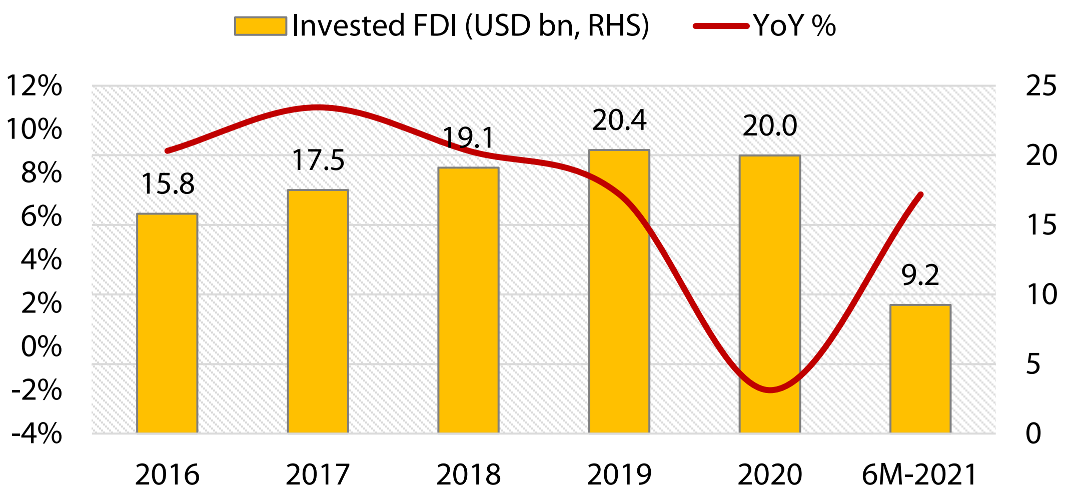
Source: Vinamarine, Rong Viet Securities

Vietnam's total trading value raised by 21% YoY in 6M-2021. Since Aug-2020, monthly total trading value stayed above USD50 bn (figure 2). While the two main transport modes for EX-IM goods (sea freight and air freight) witnessed a strong rebound since then, the **YTD accumulative value of EX-IM via sea freight (USD157bn, +30% YoY),** however, has outperformed **air freight (USD89 bn, +21% YoY).**

Sea freight 6M-2021 EX-IM value was mainly driven by robust growth of machineries (USD26bn, +49% YoY), wooden products (USD8 bn, +60% YoY), footwear (USD10 bn, +28% YoY), while textile (USD13 bn, +13% YoY), garments (USD6 bn, +27% YoY) and fishery (USD34 bn, +15% YoY) saw a more moderate growth rate despite last year's low base. However, we expect the latter's growth rate to pick up in 2H-2021 as key trading partners' economies recover.

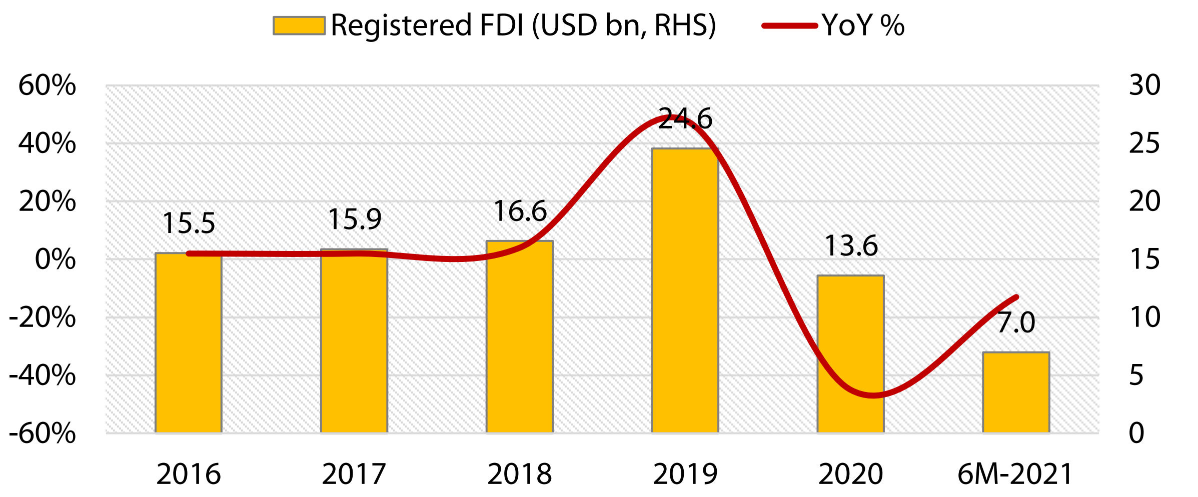
Q2-2021 Trade value of products primarily shipped via air (mobile phones, electronic components) dropped by 4% QoQ to USD44 bn likely due to a chip shortage.

Figure 3: FDI Inflows



Source: MPI, Rong Viet Securities

Figure 4: Steep decline in registered capital into manufacturing



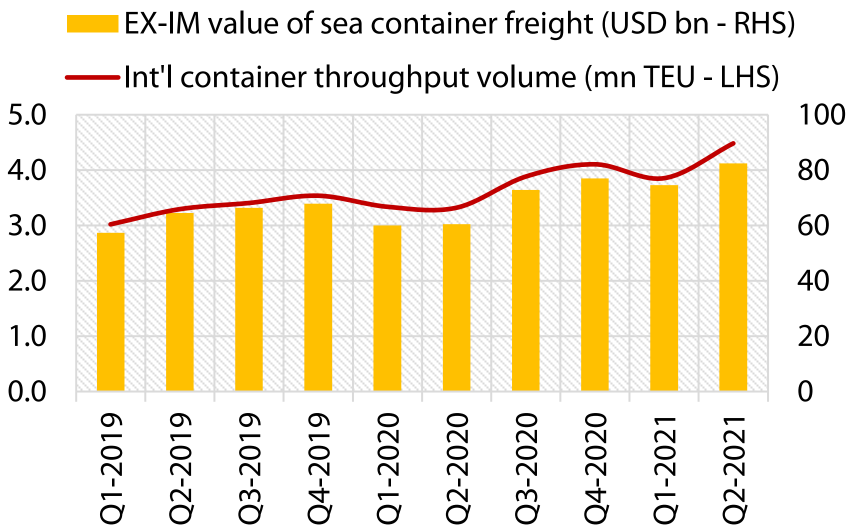
Source: MPI, Rong Viet Securities

Disbursed FDI was a bright spot in 6M 2021. As of June 20, 2021, foreign investment projects were estimated to disburse USD9.2 bn, an increase of 6.8% YoY. At the same time, total newly registered and paid-in capital by foreign investors reached USD15.2 bn, down by 2.6% YoY.

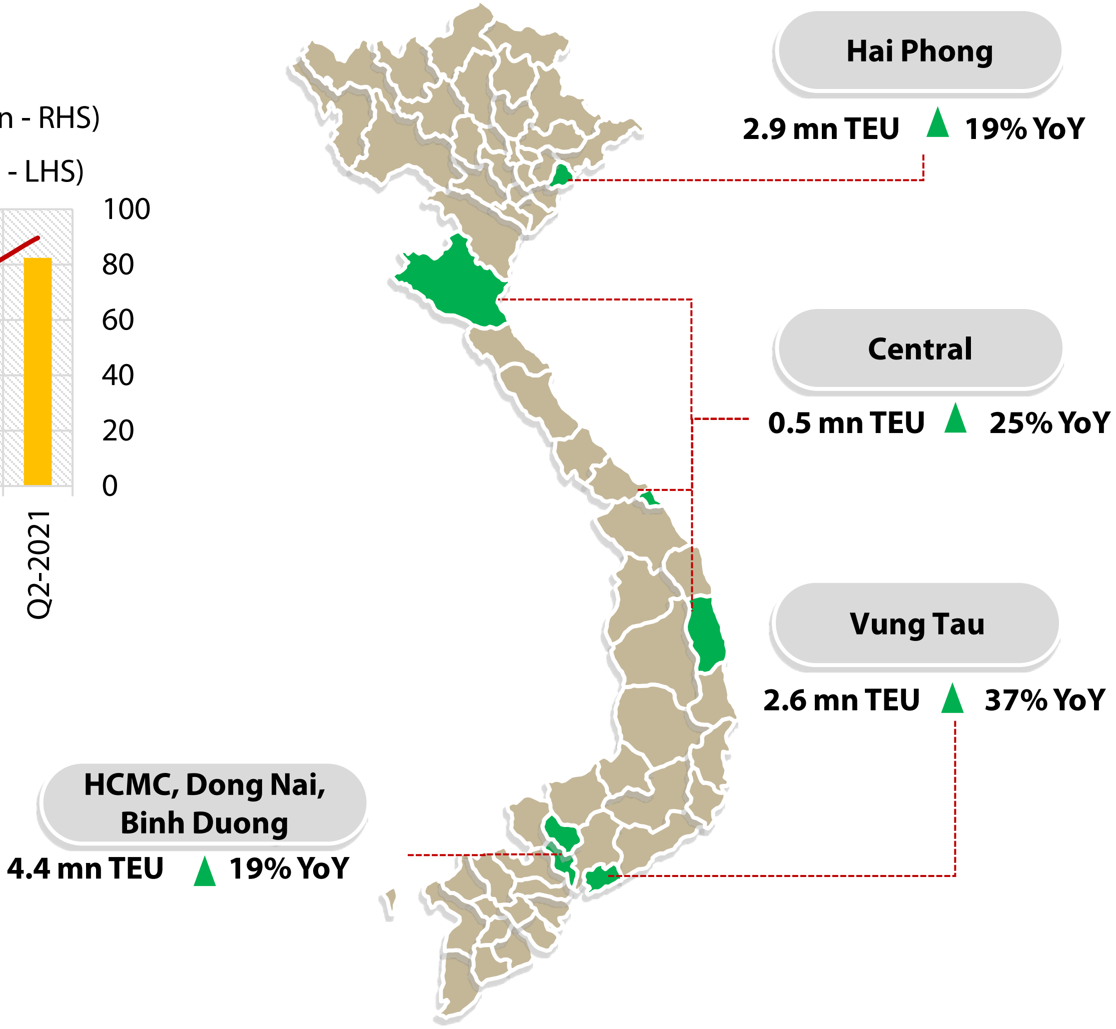
Challenges remain in the near-term as the fourth wave of the pandemic disrupts economic activity. The ongoing covid outbreak poses many challenges for foreign investing activity due to strict border closures, work permit requirements, and quarantine measures. Travel limitations made investors unable to travel, hold meetings physically and inspect sites and businesses. Furthermore, factory shutdowns in the wake of the outbreak have impacted investing sentiment and production as well. Accordingly, FDI poured in the manufacturing sector slumped by 13% YoY to USD7.0 bn.

Figure 5: Container volume throughput performance in 6M-2021

Vietnam



Terminal	Vol ('000 TEU)	YoY %	M/S
Cat Lai	2,891	9%	67%
ITC – Phu Huu	333	162%	8%
VICT	279	2%	6%
Dong Nai	245	64%	6%
Binh Duong	196	28%	5%



Terminal	Vol ('000 TEU)	YoY %	M/S
Tan Vu	536	23%	19%
HICT	363	32%	13%
VIP Green	296	9%	10%
Nam Hai DV	272	1%	10%
Nam DV	191	99%	7%

Terminal	Vol ('000 TEU)	YoY %	M/S
TCIT+TCCT	1,079	13%	41%
CMIT	486	12%	19%
SSIT	462	197%	18%
TCTT	341	-6%	13%
Gemalink	250	n.a	10%

Source: Vietnam Customs, VPA, Vinamarine, Rong Viet Securities

Table 1: Vietnam's top five trading partners by main exporting commodities/products in 6M-2021 via sea freight

EXPORT	1st Largest	2nd Largest	3rd Largest	4th Largest	5th Largest
Textiles	The US	Japan	South Korea	China	Canada
Computers and electrical products	The US	China	Hong Kong	South Korea	Netherlands
Foot-wears	The US	China	Belgium	Germany	Japan
Machineries	The US	Japan	China	South Korea	Netherlands
Wooden products	The US	China	Japan	South Korea	UK
Fishery	The US	Japan	China	South Korea	UK

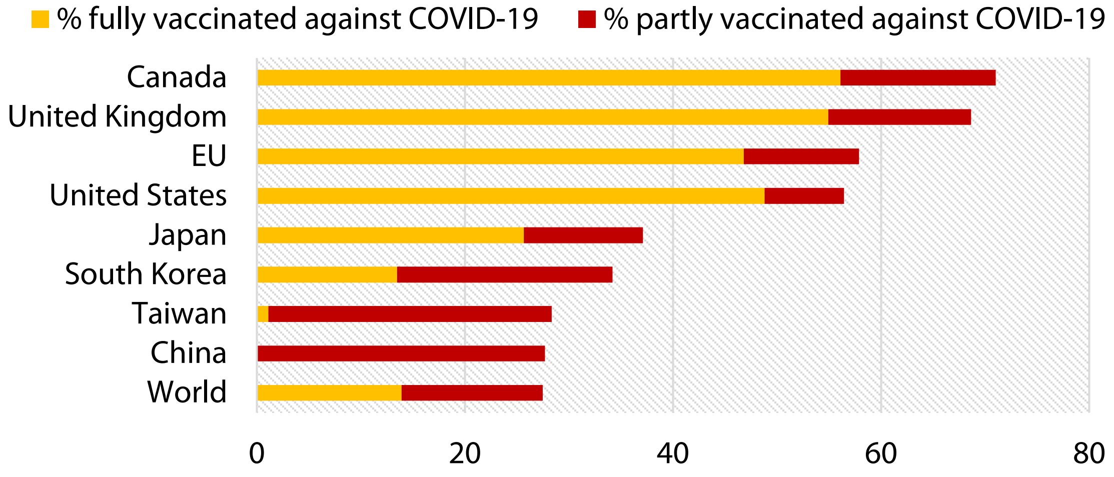
Source: Vietnam Customs, Rong Viet Securities

Table 2: Vietnam's top five trading partners by main importing commodities/products in 6M-2021

IMPORT	1st Largest	2nd Largest	3rd Largest	4th Largest	5th Largest
Machineries	China	South Korea	Japan	Germany	Taiwan
Computers and electrical products	China	South Korea	Taiwan	Japan	The US
Garments	China	South Korea	Taiwan	Japan	Thailand
Plastics	China	South Korea	Taiwan	Saudi Arabia	Thailand
Textiles, leather, foot-wears materials	China	South Korea	Taiwan	The US	Thailand

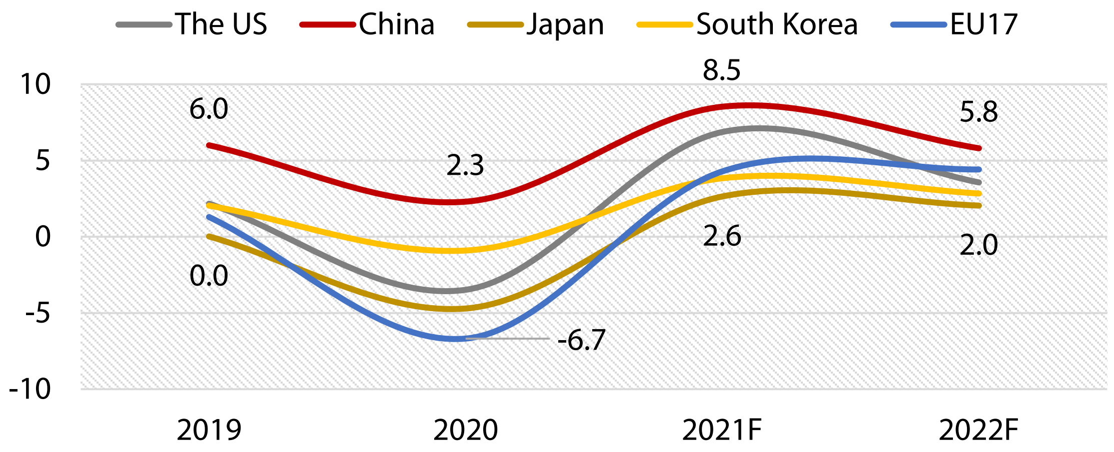
Source: Vietnam Customs, Rong Viet Securities

Figure 6: Share of vaccinated people across key trading partners



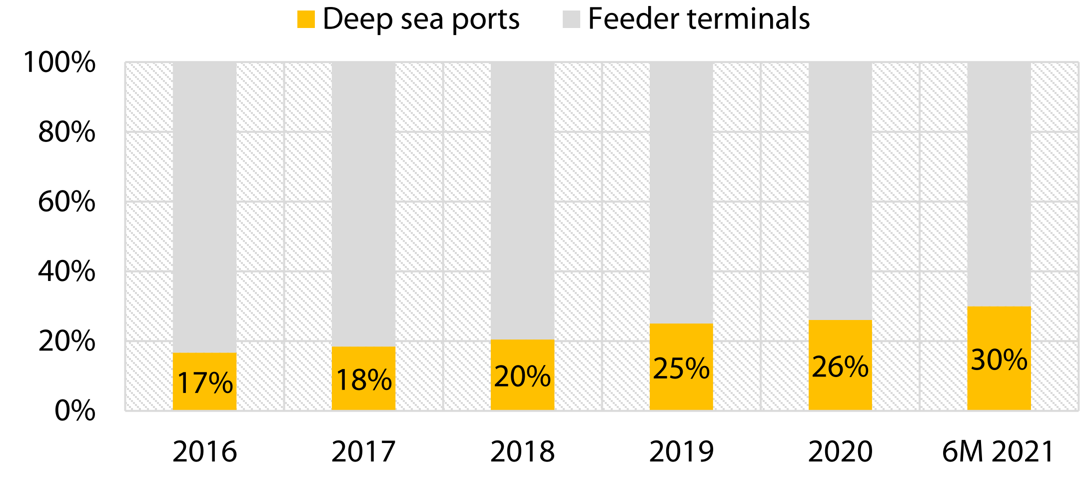
Source: Our World In Data, as of July 27th, 2021

Figure 7: GDP Growth of Vietnam's key trading partners (%)



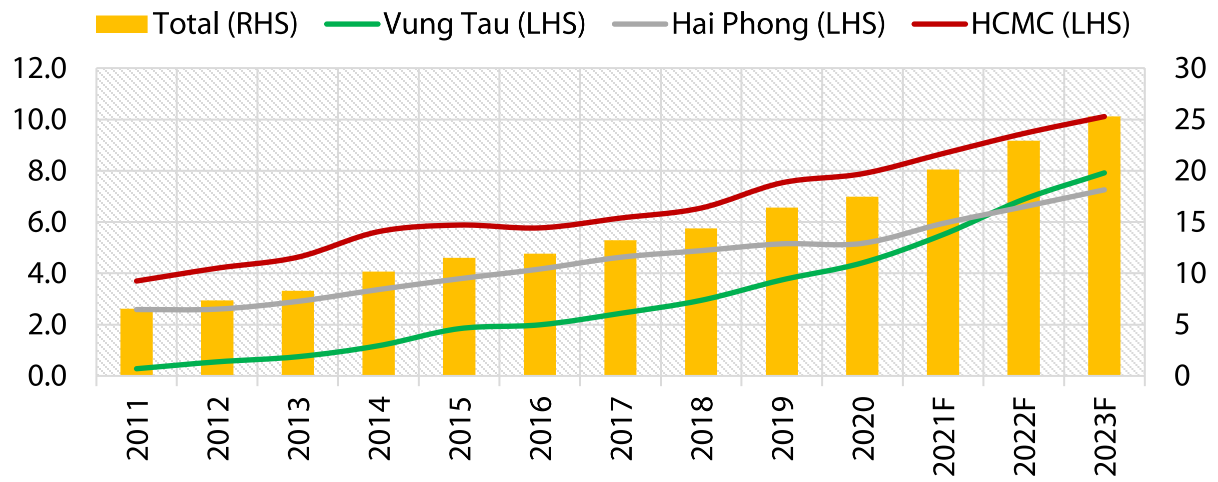
Source: OECD, Rong Viet Securities

Figure 8: Deep water ports' market share has surged over the past few years



Source: VPA, Vinamarine, Rong Viet Securities

Figure 9: Projected Vietnam container throughput volume (mn TEU)



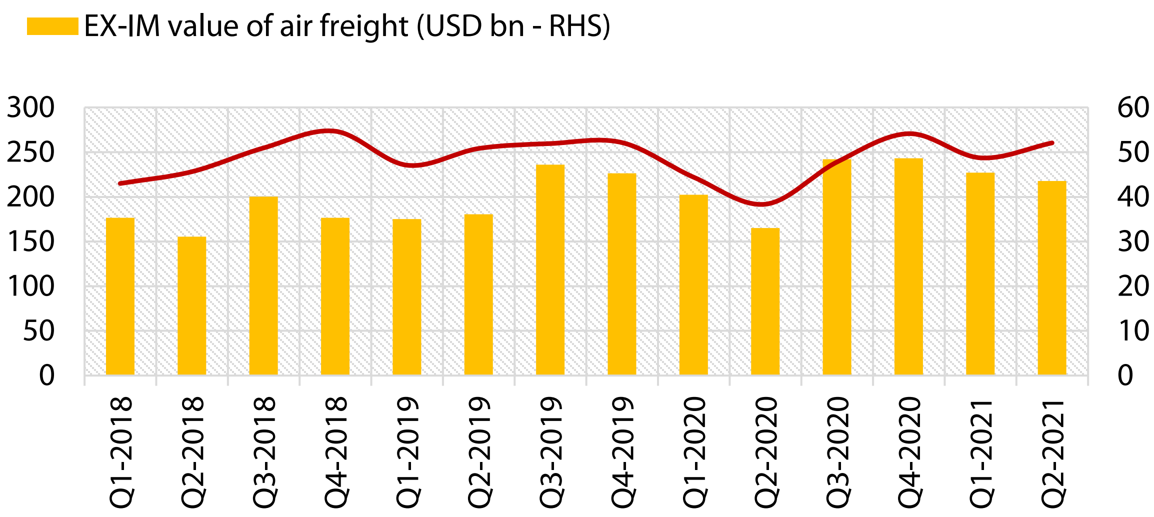
Source: VPA, Vinamarine, Rong Viet Securities

Advanced economies' higher growth projections are supportive for Vietnam EX-IM cargo throughput. Global GDP growth is now expected to be 5.8% this year (from 4.2% previously). For advanced economies, who are also Vietnam's key trading partners, vaccines rollout has enabled them to gradually open. We believe it will be supportive for Vietnam's export orders and, thus, cargo throughput volume at airports and seaports going forward.

Deep water terminals' role in Vietnam seaport system is increasingly crucial as more and more shipping lines opt for this kind of terminal. Not only to enhance shipping lines' operating efficiency, deep-water ports are perfect to accommodate long haul services connecting Vietnam with key trading partners. The growing market share of deep seaports and rising number of mother ships' long-haul services in Vietnam are solid evidence of that.

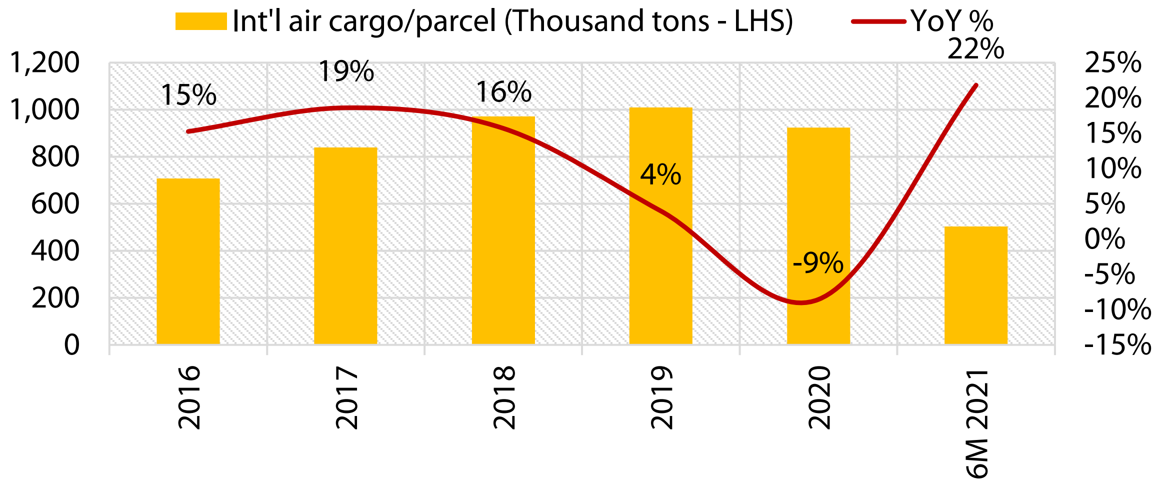
Despite near-term risks of manufacturing output disruption, we believe that total throughput volume at Vietnam seaports will still enjoy double-digit growth of 15%/14% in 2021F/22F on the back of an expectation that the country can significantly ramp up its vaccination rate in the coming months (vaccine shipments are in fact arriving almost every week) and complete the roadmap of inoculating 70% of total population by the end of Q1-2022. This will boost the prospects ongoing supply chain shift to Vietnam.

Figure 10: Int'l air cargo volume witnessed a clear V-shaped underpinned by EX-IM electronics products



Source: Vietnam Customs, ACV, Rong Viet Securities

Figure 11: Int'l air cargo volume in Vietnam

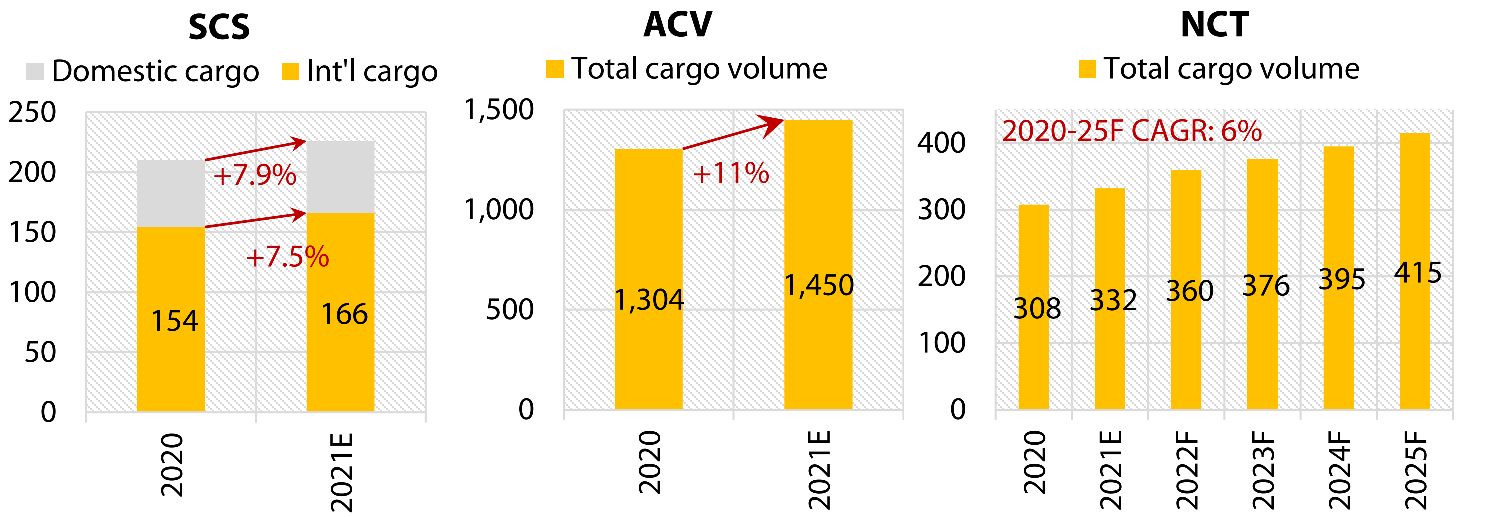


Source: ACV, Rong Viet Securities

6M 2021 int'l air cargo volume rebounded quickly from last year's low base, up 22% YoY, backed by resilient EX-IM of commodities shipped via air. The air freight sector was impacted directly in the first outbreak, but rapidly recovered since Q2 2020 as export orders for electronics products were going into peak season (new model roll-out) in 2H 2020.

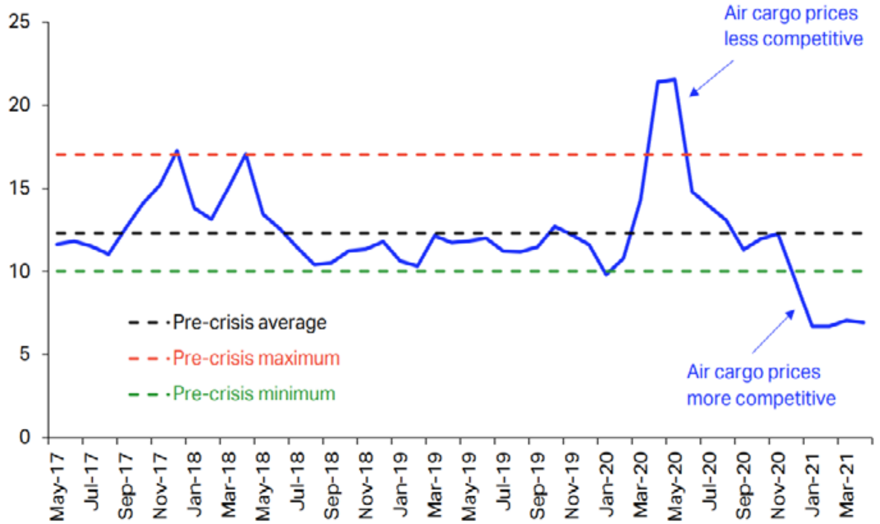
It seems like the global chip shortage has not largely impacted air freight in 1H 2021, but this worldwide issue will be a main challenge for the sector. The trading turnover and the air cargo throughput volume in Q1 and Q2 2021 were both higher than that of 2019 and, definitely, 2020. While trading turnover of air freight products in 1H 2021 was 25% higher than 1H 2019, the volume only advanced by 3%. Despite a considerable surge in commodity prices, production output for air freight remained pretty resilient. Having said that, we believe further impacts are likely to be seen in 2H 2021.

Figure 12: Steady growth prospects for throughput volume (thousand tons) for the rest of 2021 and beyond



Source: SCS, NCT, ACV, Rong Viet Securities

Figure 13: Air cargo transportation is becoming more competitive relative to ocean freight

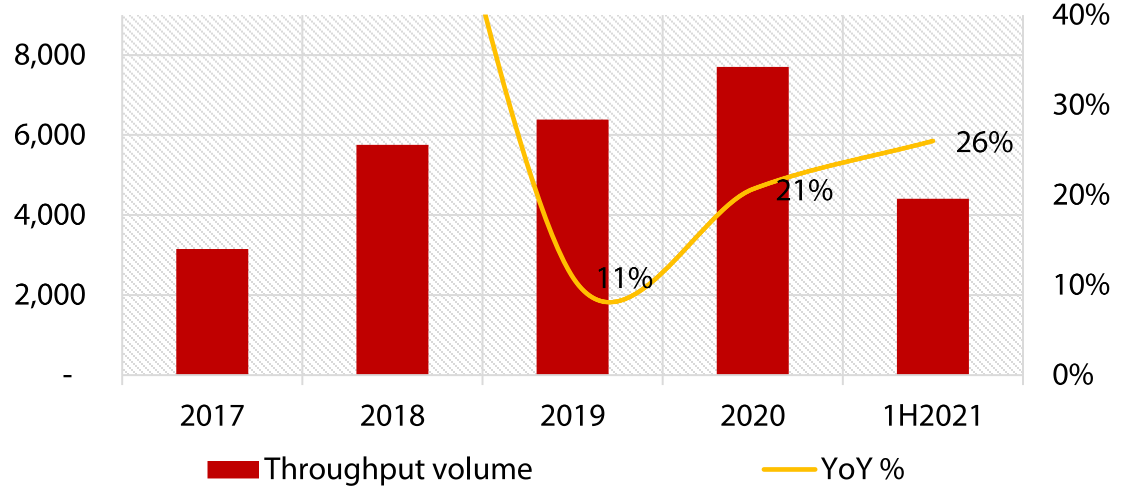


Source: Boeing, IATA CargoIS, Freightos Baltic Index

Semiconductor supply crunch could last until the end of Q2 2022, posing risks to mobile phones production and Vietnam's air cargo demand. Taiwanese semiconductor companies are rotating to making chips for autos, so the shortage should be solved for autos in a few weeks, but other electronics like mobile phones could see persisting chip shortage problems.

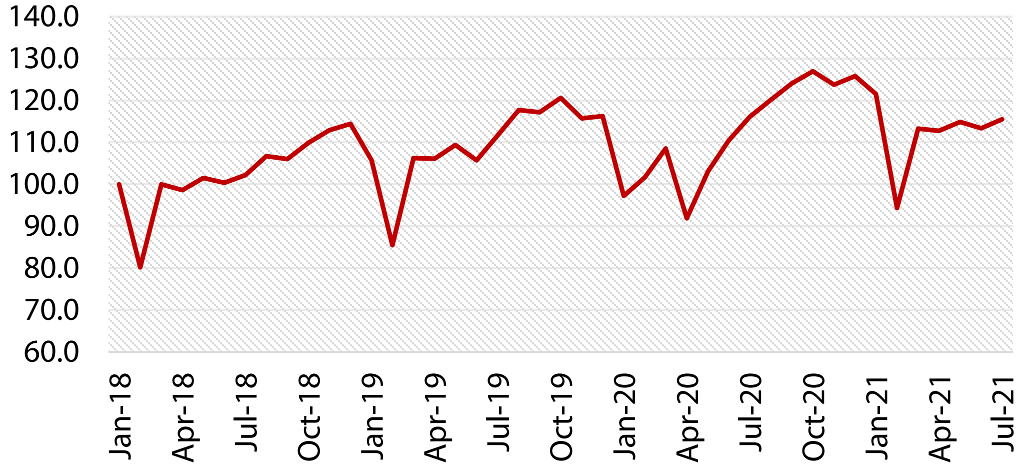
However, this issue could be compensated by many supportive factors, underpinning the sector's outlook. We expect that two-air cargo crucial engines – trade and industrial activity - will be soon ramping up backed by the expectations that economies will eventually open up after the global vaccines rollout. According estimates from the WTO, the volume of world merchandise trade is expected to increase by 8.0% in 2021. Besides, the ongoing rally in container freight rates has also shown that air cargo became relatively more affordable than container shipping, adding to the speed advantage of air cargo.

Figure 14: Domestic container throughput volume at seaports (TEU)



Source: Vinamarine, Rong Viet Securities

Figure 15: Vietnam industrial production index



Source: GSO, Rong Viet Securities; Jan 2018 = 100

Container volume transported by Vietnam shipping lines has held up, as evidenced by the domestic box throughput at seaports. The total volume of domestic throughput volume at Vietnam's seaports has been trending upward since 2017 with a 3Y CAGR of 16% in tons, from 442 Mn tons in 2017 to 689 Mn tons in 2020, while the 3Y CAGR in terms of container throughput reached 35%. The domestic box throughput volume at seaports rose significantly from around 3 Mn TEUs in 2017 to nearly 8 Mn TEUs in 2020. For 1H2021, it reached 4.4 Mn TEUs, up 26% YoY.

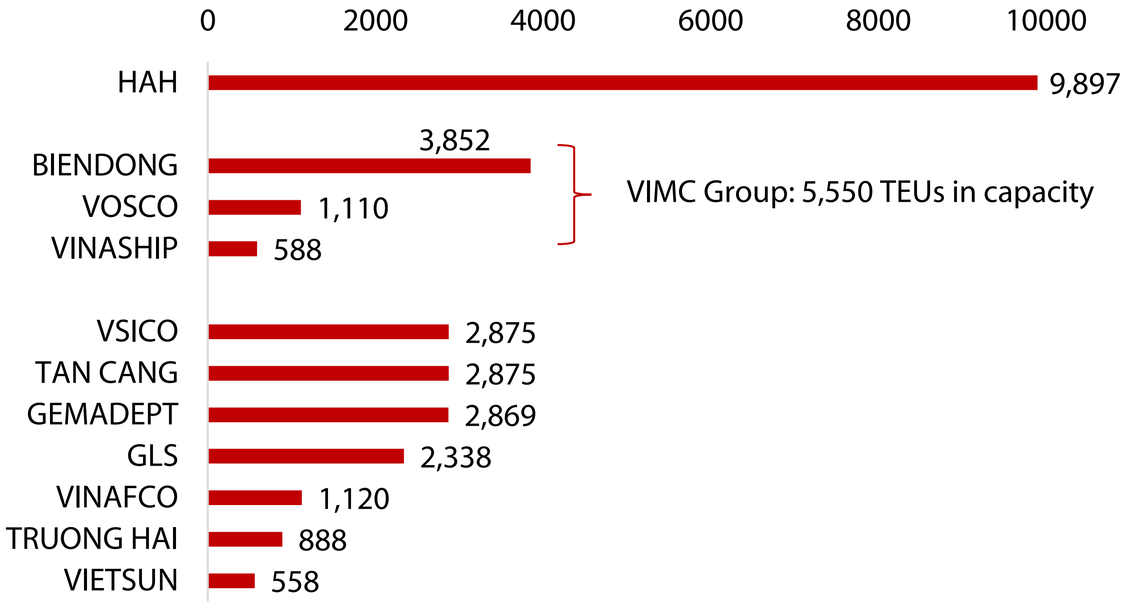
The growth of container volume transported was backed by steady growth of industrial production activities which have been rather resilient amid the pandemic. Accordingly, the Index of Industrial production for 7M 2021 increased by 7.9% YoY, per GSO. We believe this is supportive for domestic cargo.

Table 3: Domestic container shipping fleet

Shipping company	No of vessel	Average fleet age (years)	Average capacity per vessel (TEUs)
HAH	8	15	1,237
BIENDONG	5	17	770
VSICO	4	19	719
TAN CANG	4	20	719
GLS	4	19	585
GEMADEPT	3	16	956
VINAFCO	2	25	560
VOSCO	2	23	555
TRUONG HAI	2	16	444
VIMC	1	23	588
VIETSUN	1	13	558
Total	**36**	**18**	**805**

Source: Vietnam Register, Rong Viet Securities

Figure 16: Total capacity by shipping lines (TEUs)

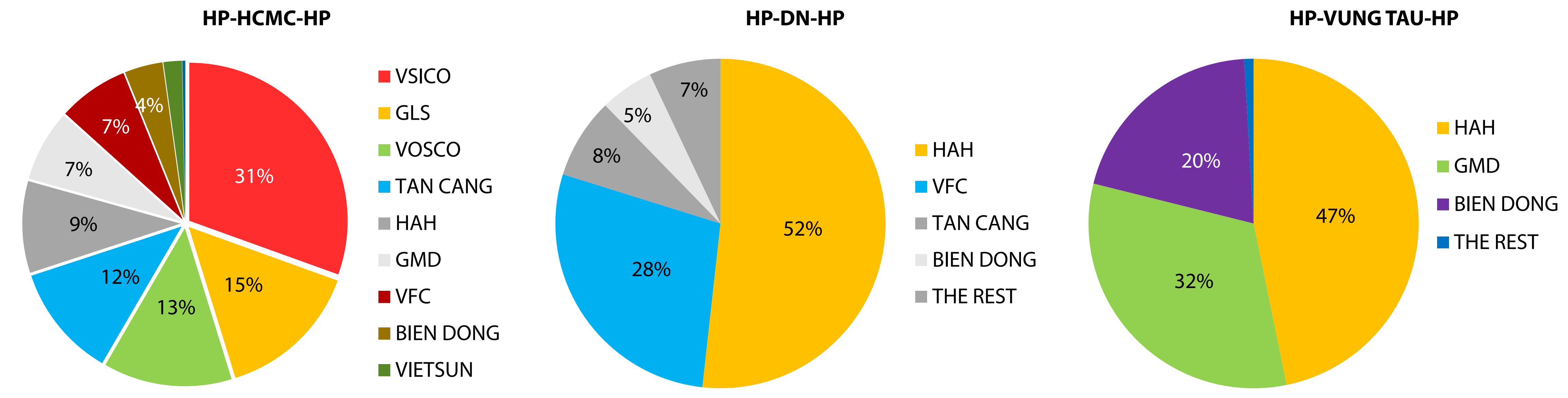


Source: Vietnam Register, Rong Viet Securities

Vietnam container fleet, in comparison to the global average, is quite smaller in terms of size, proportional contribution to total maritime ships but considerably older. Currently, the fleet includes 36 vessels, with a total carrying capacity of 29,000 TEUs. That makes an average capacity per container vessel in Vietnam at 805 TEUs, much lower than the world's average of 20,000 TEUs. In terms of vessel type mix, container vessel accounts for only 2.8% of total ships registered under the flag of Vietnam, while on the global scale the number of container ships account for roughly 10%. Vietnam's average fleet age stands at 18 years vs 10 years globally per Review of Maritime Transport 2020.

Hai An transport and stevedoring (HSX: HAH) is market leader. It owns a fleet of eight vessels with a total capacity of 9,897 TEUs. HAH possesses a capacity market share of 34%, though not all of its ships are assigned to the domestic transportation but accounts for 22% of total number of Vietnam container vessels.

Figure 17: Market shares in terms of vessel calls in 1H2021

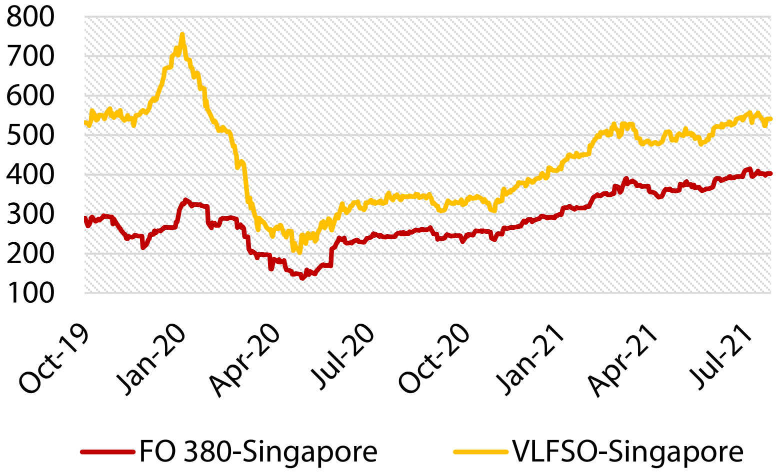


Source: Maritime administration of Hai Phong, Rong Viet Securities

HAH, Bien Dong, GLS, Tan Cang and GMD take up large shares in the number of ship calls in major domestic service routes. While the majority of shipping companies operate on route Hai Phong-Ho Chi Minh-Hai Phong, HAH, Bien Dong sharpen their competitive edge by additionally calling at other logistics hubs namely Da Nang and Cai Mep (Vung Tau) on the back of their large fleet.

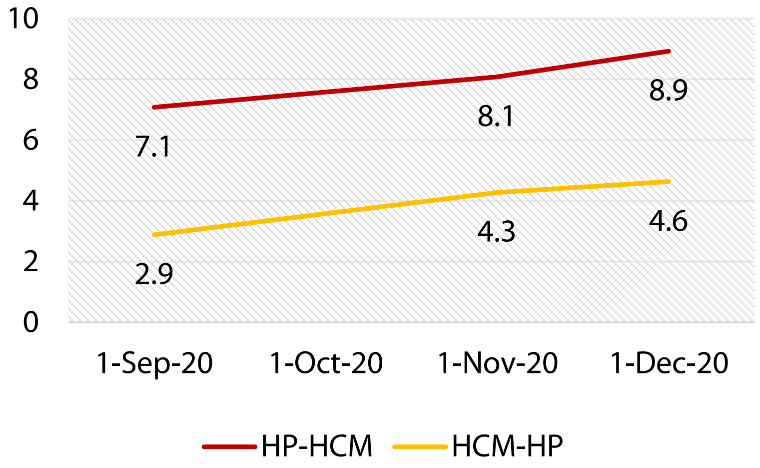
Basically, shipping lines compete on the number of transportation lanes and the shipping frequency, besides freight rates and carrying capacity. Owing to owning the largest domestic fleet, HAH is able to cover cargo transportation demand from North, Central and South regions which helps maximize the transport volume of each voyage and largely benefit operational efficiency.

Figure 18: Fuel Price (USD/metric tonne)



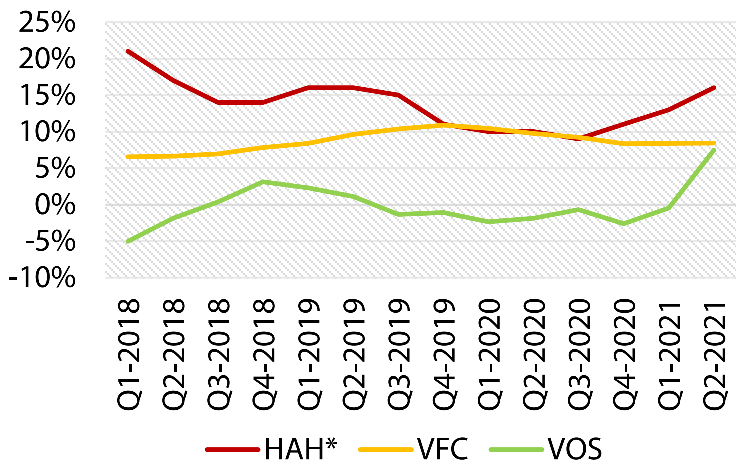
Source: Bloomberg, Rong Viet Securities

Figure 19: HAH's freight rates including surcharges (VND mn per TEU)



Source: HAH (for reference), Rong Viet Securities

Figure 20: Domestic shipping lines' GPM



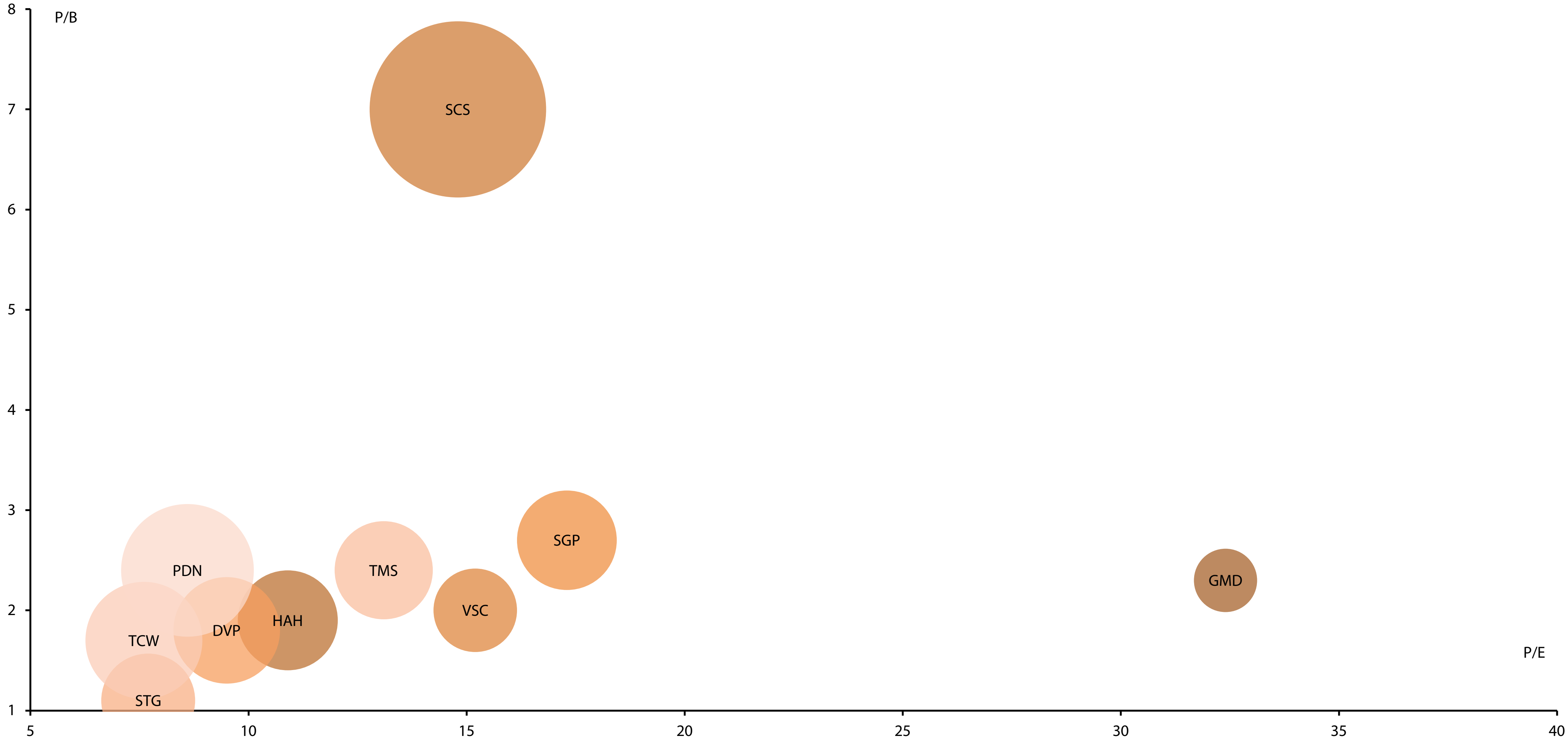
Source: Companies filings, Rong Viet Securities, sea freight*

Global supply chain disruption and fuel costs rally have driven global freight rates surge. Port congestion and container shortage due to disproportionate demand across the world, which were induced by the pandemic, have driven Drewry's composite World Container Index to jump by 80% YTD, reaching 8,859 USD per 40ft container (FEU). With increasingly important position in global supply chain, Vietnam domestic shipping sector has also been impacted from the container shortage issue, which has pushed up the rate for container leasing, eventually leading to freight rates hikes. For example, HAH's freight rate per TEU increased by 61% for route HCM-HP, and 26% for route HP-HCM. Additionally, from 1/1/2020, Vietnam's maritime fleet is required to use low sulphur oil (VLFSO), replacing high sulphur oil (IFO380 3.5% sulphur), per IMO 2020 regulation, and the spread between VLSFO and normal fuel oil have ranged about 100-150 USD/Metric tonne. To cope with this increased fuel costs, shipping lines raise freight rates through adding in low sulphur surcharge (e.g.: HAH introduced low sulphur surcharge of 300,000 VND/FEU since 2020).

For GPM of shipping lines, impact of IMO 2020 was reflected in decreasing GPM of shipping companies, such as HAH, Vinafco, and Vosco, due to extremely high cost for low sulphur fuel in 2020. In 2021, the GPM shows the recovery as the fuel cost becomes more stable and shipping lines increased their freight rate.

Ticker	Market cap (VND vn)	Target price (VND)	TTM Sales Growth (% YoY)	TTM EBITDA Growth (% YoY)	TTM EBITDA Margin (%)	TTM Operating Income Margin (%)	TTM Net Income Growth (% YoY)	TTM Net Profit Margin (%)	ROA (%)	ROE (%)	DY (%)	Current P/E (x)	Current P/B (x)
GMD	14,255.2	55,000	8.8%	8.3%	33.6%	19.7%	22.6%	18.9%	4.4%	6.5%	2.6%	32.4	2.3
HAH	2,236.9	61,000	22.4%	39.6%	29.6%	19.8%	77.0%	17.8%	10.1%	16.2%	4.2%	10.9	1.9
SCS	6,896.3	155,600	11.6%	12.9%	76.9%	70.0%	14.3%	68.7%	43.8%	50.4%	5.9%	14.8	7.0
VSC	3,764.9	N/A	6.6%	5.6%	32.5%	20.7%	13.3%	18.7%	11.1%	12.5%	2.9%	15.2	2.0
SGP	6,424.1	N/A	23.0%	22.3%	34.0%	24.7%	61.9%	32.7%	7.5%	16.1%	0%	17.3	2.7
DVP	2,192.0	N/A	11.9%	-22.6%	34.7%	40.6%	-2.7%	39.9%	16.6%	18.4%	4.5%	9.5	1.8
STG	1,857.0	N/A	25.2%	33.2%	14.0%	10.4%	125.1%	10.1%	10.0%	14.3%	0%	7.7	1.1
TMS	4,804.4	N/A	33.5%	12.1%	7.1%	5.3%	11.6%	8.0%	8.6%	15.0%	3.3%	13.1	2.4
TCW	598.6	N/A	7.7%	4.6%	20.2%	12.9%	8.1%	10.2%	12.0%	22.7%	6.6%	7.6	1.7
ILB	735.1	N/A	3.9%	n/a	0.0%	0.0%	2.2%	0.0%	0.0%	0.0%	5%	11.3	1.7
PDN	1,574.4	N/A	16.2%	4.4%	26.8%	23.8%	14.9%	19.9%	17.5%	28.5%	3.5%	8.6	2.4

Source: Bloomberg, Rong Viet Securities. Share price as of Aug 2nd, 2021.

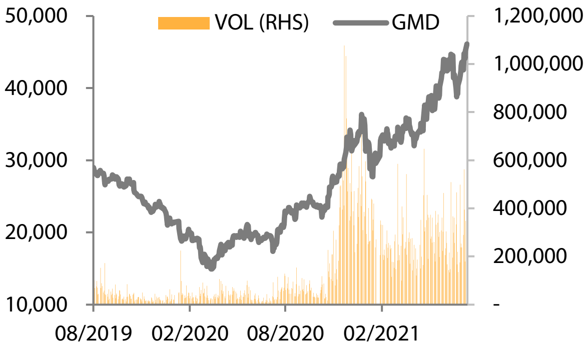


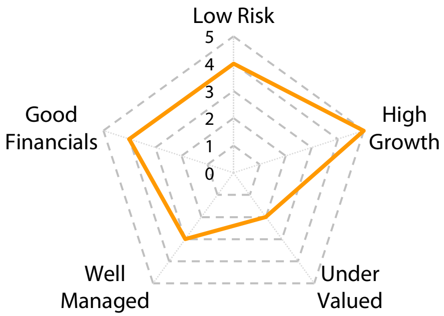
Source: FiinGroup, Rong Viet Securities. Bubble size equals respective ROE. Share price as of Aug 2nd, 2021.

LONG-TERM PROFIT IS SECURED

HSX: GMD

<BUY: 22%> **<MP: 46,100>** **<TP: 55,000>**





STOCK INFO

STOCK INFO	GEMADEPT CORP
Sector	Industrials
Market Cap (VND Bn)	14,255.2
Current Shares O/S (mn shares)	301.4
3M Avg. Volume (K)	3,165.1
3M Avg. Trading Value (VND Bn)	128.3
Remaining foreign room (%)	7.0
52-week range ('000 VND)	18.3-46.1

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue	2,606	2,785	3,003
NPATMI	371	552	938
ROA (%)	3.8%	5.6%	8.6%
ROE (%)	6.3%	8.9%	13.7%
EPS (VND)	1,249	1,833	3,114
Book Value (VND)	19,875	20,488	22,664
Cash dividend (VND)	1,000	1,200	1,200
P/E (x) (*)	25.6	25.2	14.8
P/B (x) (*)	1.4	2.3	2.1

INVESTMENT RATIONALES

GMD's EBT is expected to thrive with a CAGR of 26% over the period of 2021F-25F

- Given the potential partnership with new shipping lines in the coming time, GML's earnings prospects will be much brighter and significantly uplift GMD's robust profit growth plus return on assets going forward.
- GMD's Hai Phong ports is on track with our expectations for volume throughput as they have been receiving new clients. 1H-2021 these ports have served 500K TEUs, up 18% YoY. More services are poised to connect with Nam Dinh Vu as HICT is facing low dredge level recently.

Vietnam's position in global supply chain and trading are strengthened, which is a favorable environment for GMD's extensive port network and logistics services.

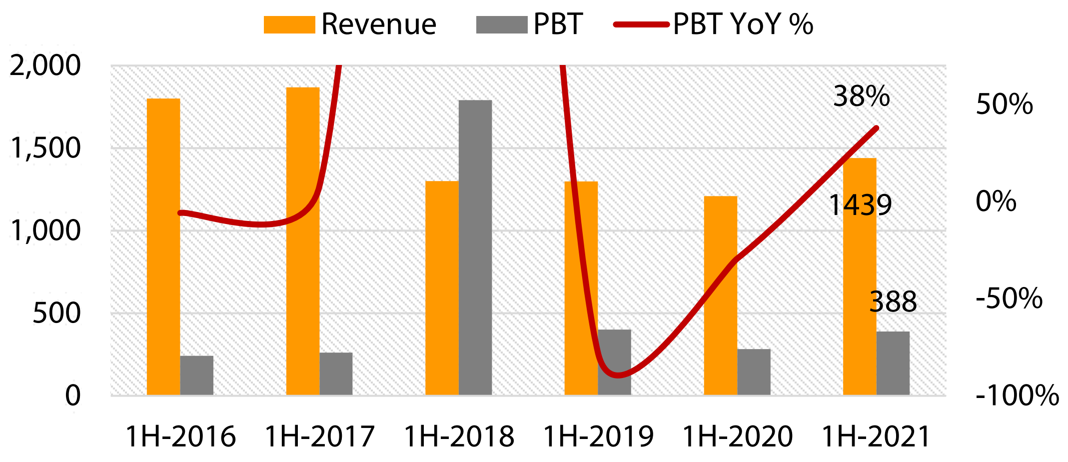
- We believe in GMD's promising potentials in the next few years givent its nation-wide market share in terms of throughput volume of 10% currently and is increasing.

Successfully divestment in GML and non-core businesses (rubber farming and real estate) will be a potential catalyst in the short and longer-term, respectively.

RISKS TO OUR CALL

- Worsen empty container shortage issues and a more severe lockdown are worth noting as it will affect the Group's throughput volume. However, GMD's operation has proven to be resilient amid those headwinds, we believe there's unlikely a large downside from here.
- Larger-than-expected rubber plantation maintenance costs recognition.

Figure 1: 1H-2021 Business results (VND bn)



Source: GMD, RongViet Securities

Volume throughput in line with expectations but earnings are better than estimates

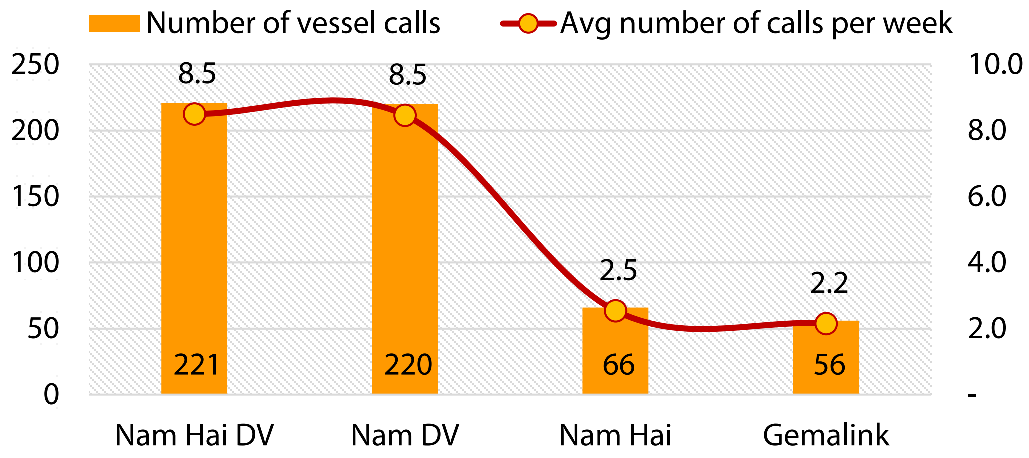
- GMD's total throughput volume jumped by 60% YoY to 943k TEUs as Gemalink (GML) was officially up and running in Jan-21.
- Excluding GML's volume, GMD's seaports in Hai Phong and HCMC have accommodate 693k TEUs, up 18% YoY as new services were established.
- Earnings ahead of expectation thanks to earnins surprise at GML.

Table 1: 1H-2021 Volume throughput at GMD's key terminals

Terminal	Vol ('000 TEU)	YoY %	M/S @ respective market
Nam Hai DV	272	1%	10%
Gemalink (E)	250	n.a	10%
Binh Duong	196	28%	5%
Nam DV	191	99%	7%
Nam Hai	34	-52%	1%
Total	**943**	**60%**	**10%***

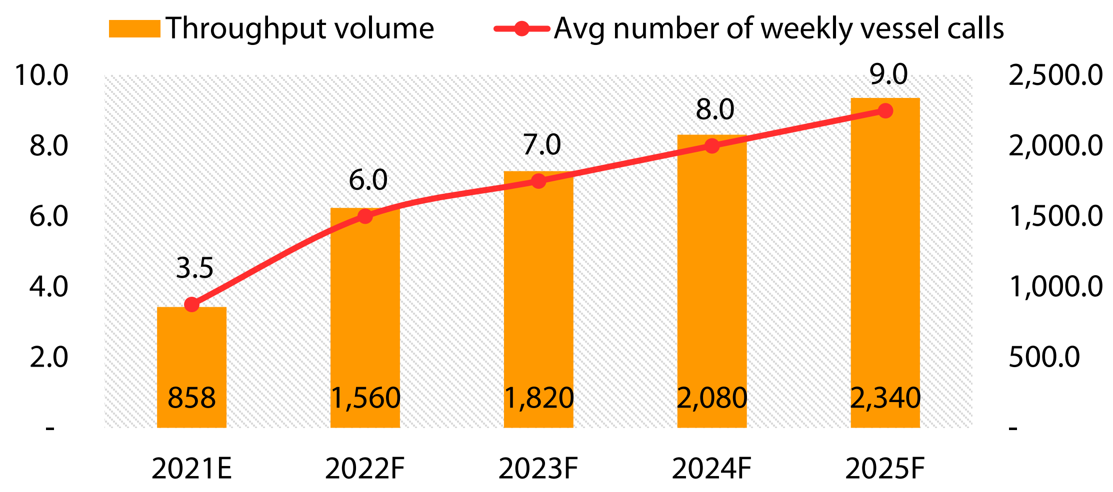
*Source: VPA, Vinamarine, Rong Viet Securities, *estimated nation-wide market share*

Figure 2: Vessel calls at GMD's key terminals in 1H-2021



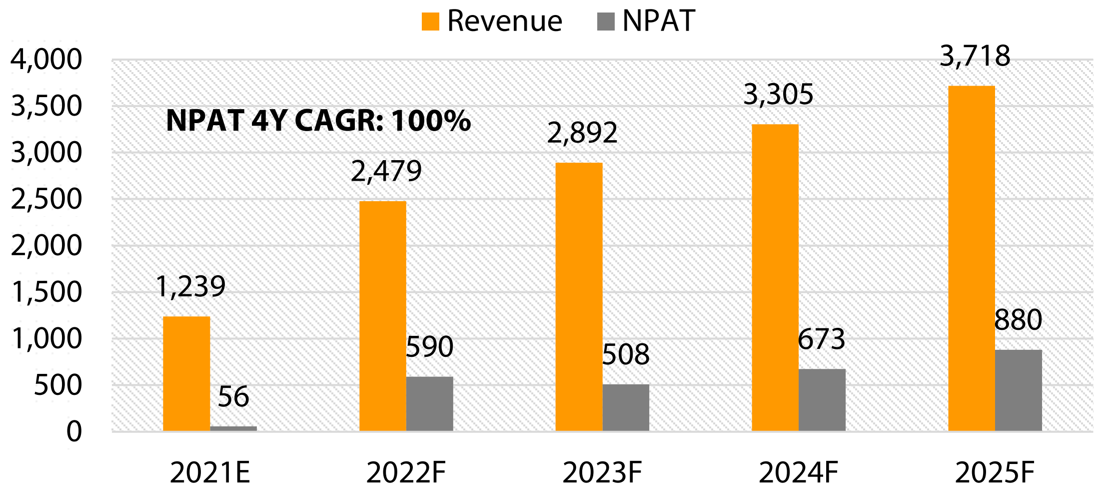
Source: Vung Tau and Hai Phong Maritime Administration, RongViet Securities

Figure 3: New assumptions for GML



Source: Rong Viet Securities

Figure 4: Revised revenue and net profit (VND bn) forecast for GML



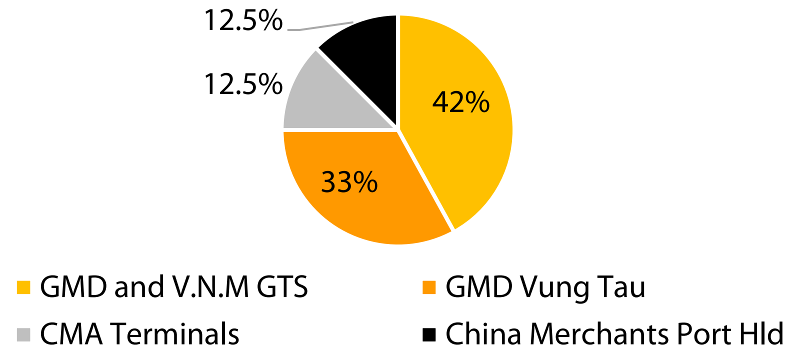
Source: Rong Viet Securities

Table 2: 2021F services at GML

Shipping line	No of services
CMA-CGM	3
Maersk	1
COSCO	1
Total	**5**

Source: GMD, RongViet Securities

Figure 5: Estimated GML ownership structure

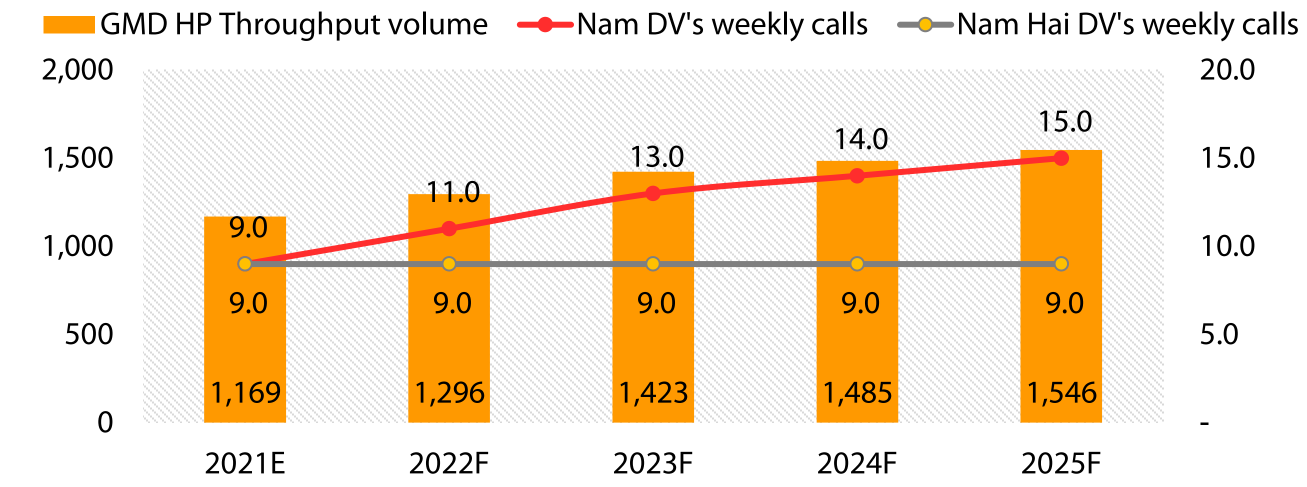


Source: MPI, RongViet Securities

On the back of healthy trade prospects, which will be driving robust performance of throughput volume at Cai Mep deep seaports, coupled with GML's advantageous location and available capacity, **we believe this terminal will succeed in attracting many more services going forward.**

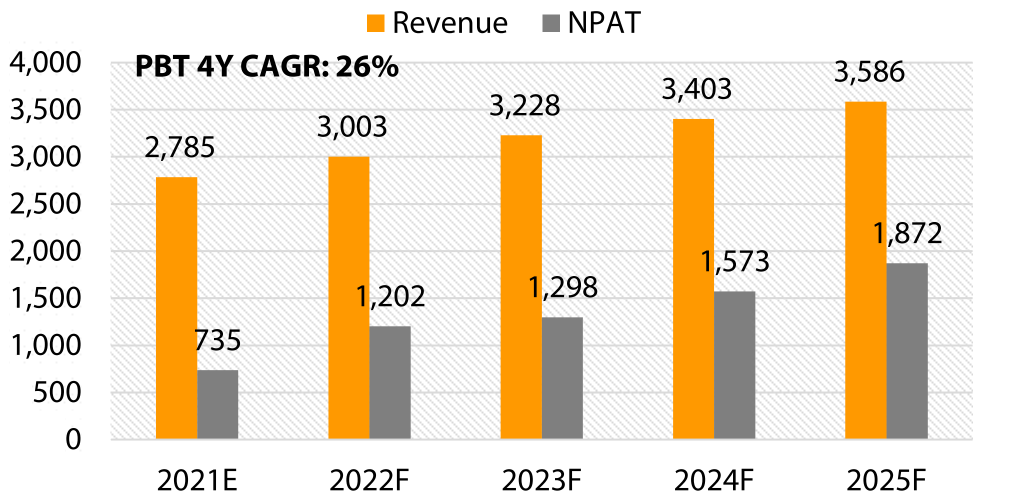
Also, a successful ownership transferring is a compelling story to watch for.

Figure 6: Volume throughput forecast



Source: GMD, Rong Viet Securities

Figure 7: Revenue and PBT (VND bn) forecast for GMD



Source: Rong Viet Securities

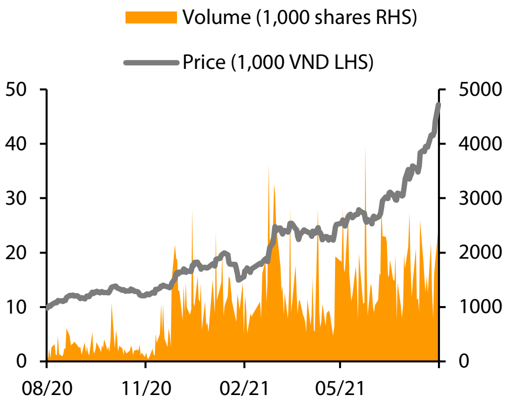
Stable growth at GMD's Hai Phong terminals to drive EBIT with a CAGR of 10% over the period of 2021F-25F.

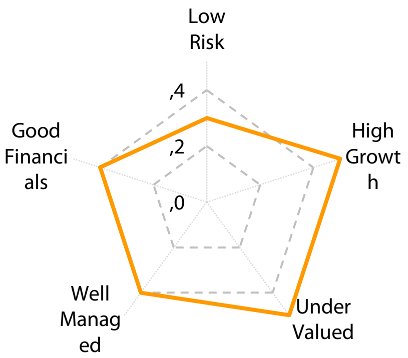
- While Nam Hai DV is operating at its maximum designed capacity, Nam Dinh Vu with its upcoming Phase 2, which is under construction, still has a lot of head room to receive new services from international shipping lines.
- More services are poised to connect with Nam Dinh Vu as HICT is facing low dredge level recently.

SKYROCKETED PROFIT AHEAD

HSX: HAH

<BUY: 29%> <MP:47,200> <TP: 61,000>





STOCK INFO

Sector	Logistics
Market Cap ($ mn)	97
Current Shares O/S (mn shares)	47.4
3M Avg. Volume (K)	1,694
3M Avg. Trading Value (VND Bn)	53.7
Remaining foreign room (%)	40.7
52-week range ('000 VND)	9.8-47.2

FINANCIALS

FINANCIALS	2020A	2021F	2022F
Revenue	1,192	2,269	2,604
NPATMI	138	435	529
ROA (%)	6.6%	17.5%	17.5%
ROE (%)	12.9%	31.9%	29.6%
EPS (VND)	2,835	8,908	10,843
Book Value (VND)	27,283	27,918	36,596
Cash dividend (VND)	1,000	1,000	1,000
P/E (x) (*)	6.1	5.3	4.4
P/B (x) (*)	0.6	1.7	1.3

INVESTMENT RATIONALES

Robust transported volume growth, higher freight rates, coupled with an improving GPM, will lead to a booming 2H 2021 NPAT of VND285bn (+293% YoY) before a 22% YoY increase in 2022F.

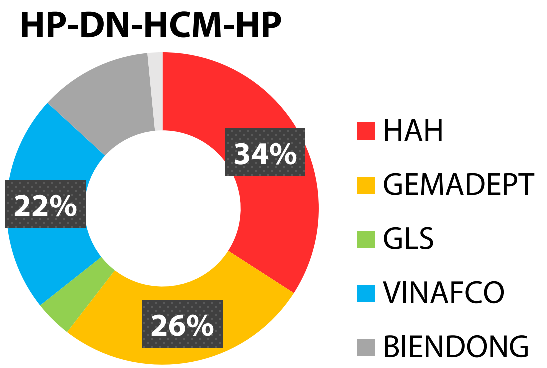
- We expect volume transported by HAH fleet to jump by 72% YoY/13% YoY in 2021F/22F on the back of (1) increased international volume transported in cooperation with NVOCCs, and Main Line Operators (MLOs) for secured source of goods, (2) additional capacity from HAIAN EAST, one the two newly purchased vessels which will be deployed to domestic container shipping market in Q4 2021, and (3) industry productivity recovery.
- Expectation for freight rate: (1) Stable domestic rate due to inconsistency in movement of freight rate for each domestic routes (2) international rate rise as global trend. However, the growth prospect in 2021F is lower as the disruption and container shortage will be alleviated and the global rate will face downward risk.
- Higher economics of scale from surging transported volume, and favourable profit margin of chartering out vessels, will expand sea transportation segment's GPM by 1,900bps/200 bps in 2021F/22F.

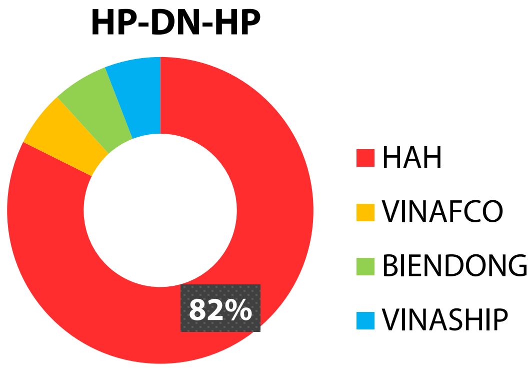
Owning container fleet with largest total capacity, coupled with extensive domestic shipping routes and an integrated business model of ports and warehouses, help HAH to lead in transport capacity and maintain high transported volume, thereby ensuring profit.

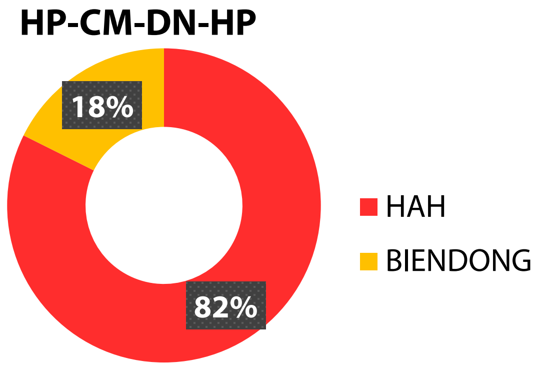
RISKS TO OUR CALL

- More volatile freight rate and fuel cost than expectation.
- Different vessel leasing period from our expectations.

Figure 1: Domestic routes of HAH and respective market share







Source: Maritime administration of Hai Phong, Rong Viet Securities

HAH is market leader of domestic container transportation sector

- HAH's container fleet took over 22% of a total of 36 container vessels under Vietnam's flag, with the largest capacity of nearly 11,000 TEUs.
- HAH's fleet covers a wide range of shipping routes from Hai Phong, Da Nang, Cai Mep, to Ho Chi Minh, dominating the market in term of the number of domestic port coverage with a domestic frequency of four trips per week. Besides, HAH performs international feeder services for MLOs, such as HLL, ONE, OOCL on intra-Asia routes (HP-HK-HP, HCM-SGP-HCM) with a frequency of two trips per week.

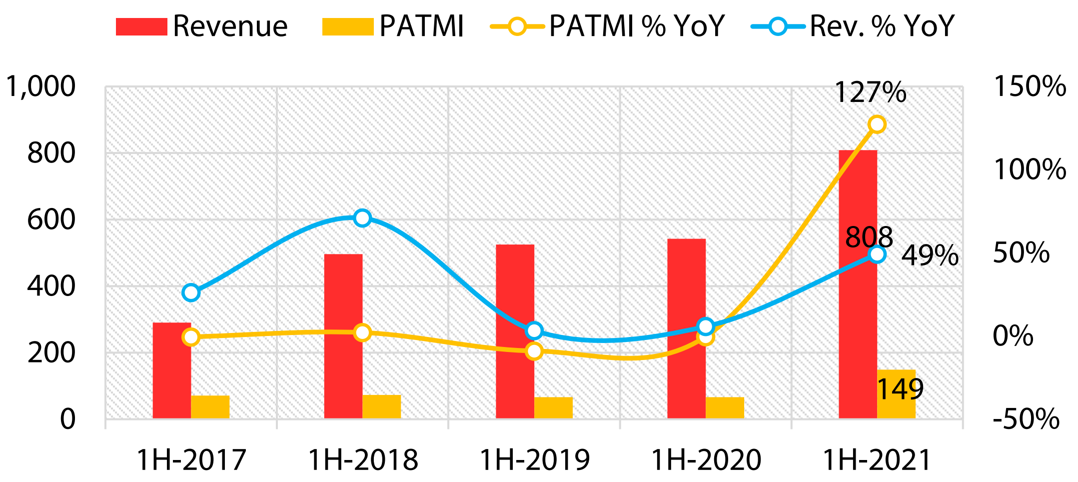
Hai An Port is currently utilized for HAH's fleet and SM lines, for which HAH has been an agent since 2017.

Table 1: HAH's container fleet

No.	Vessel Name	Purchased year	Capacity (TEUs)	Utilisation Purpose
1	HAIAN PARK	2014	787	Transportation
2	HAIAN TIME	2015	1,032	Transportation
3	HAIAN BELL	2017	1,200	Transportation
4	HAIAN LINK	2018	1,060	Time charter (TC)
5	HAIAN MIND	2019	1,794	Transportation
6	HAIAN VIEW	2020	1,577	Transportation
7	HAIAN WEST	2021	1,740	Transportation
8	HAIAN EAST	2021	1,702	Transportation/TC
Total			**10,892**	

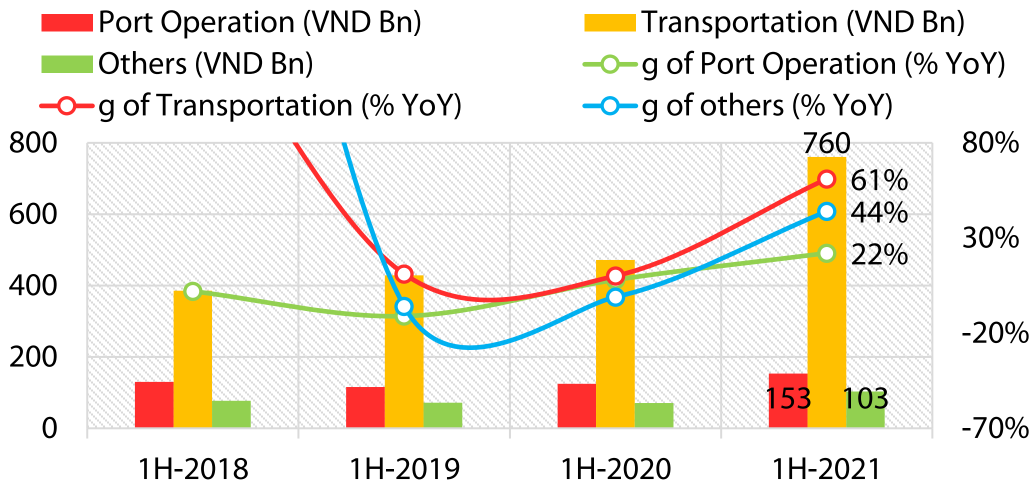
Source: HAH, RongViet Securities

Figure 2: Business Results (VND bn)



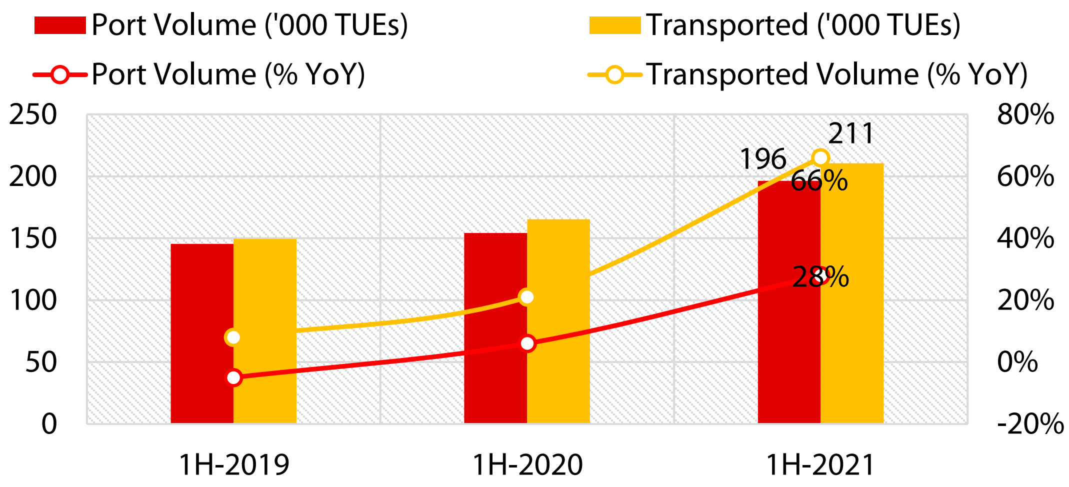
Source: HAH, Rong Viet Securities

Figure 3: Revenue breakdown by business segments(*)



*Source: HAH, Rong Viet Securitiess, *revenue before internal transaction net off*

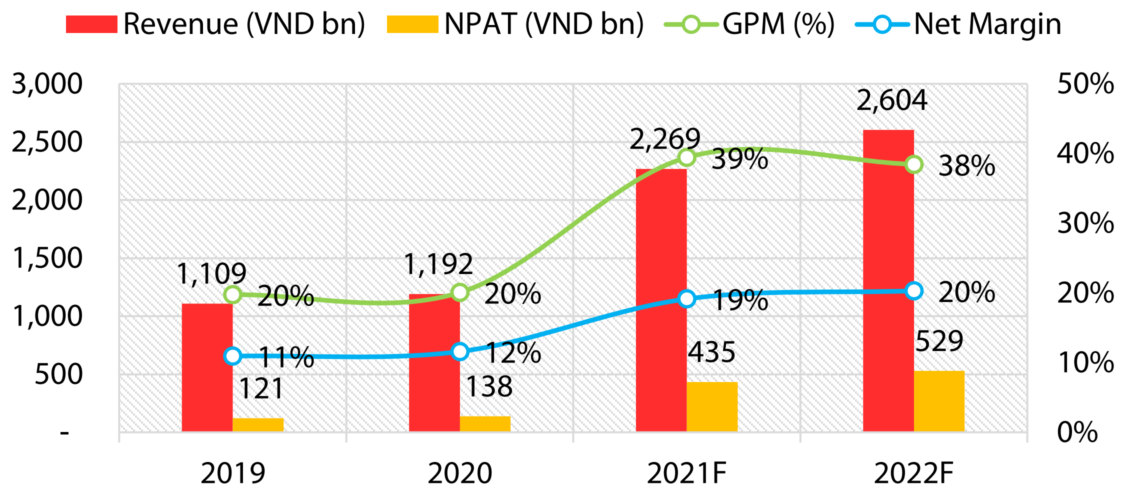
Figure 4: Volume of Port operation and Transport



Source: HAH, Rong Viet Securities

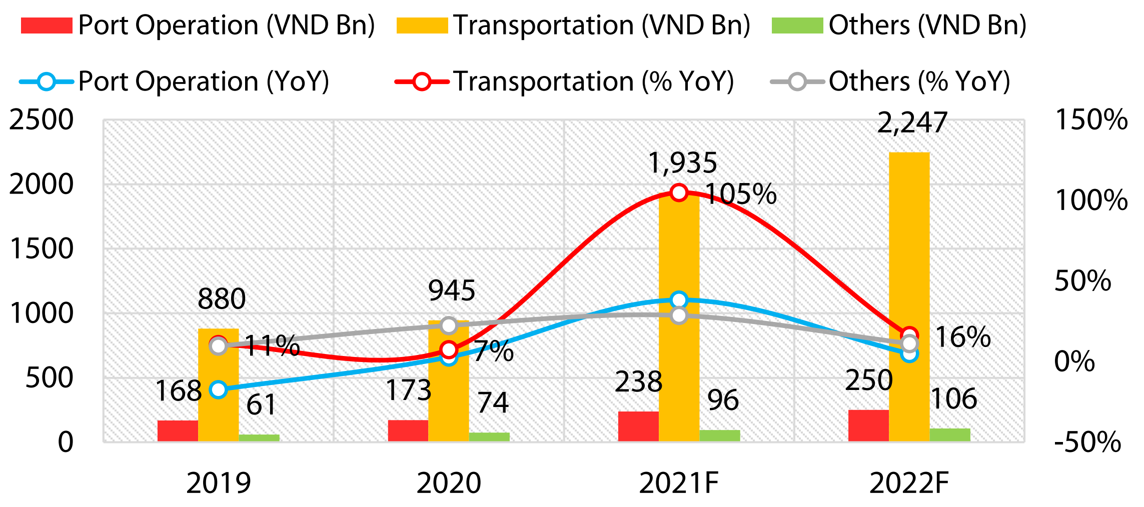
- Ballooning volume transported, due to additional vessels and rapidly developing its client base, higher freight rates and more importantly, chartering out one more vessel, have led to a solid transportation profit in 1H-2021.
- Hai An Port posted a 28% YoY increase in volume throughput, a majority of which were from HAH's fleet (86% in 1H-2021).

Figure 5: Projected revenue and net profit (VND bn)



Source: HAH, Rong Viet Securities

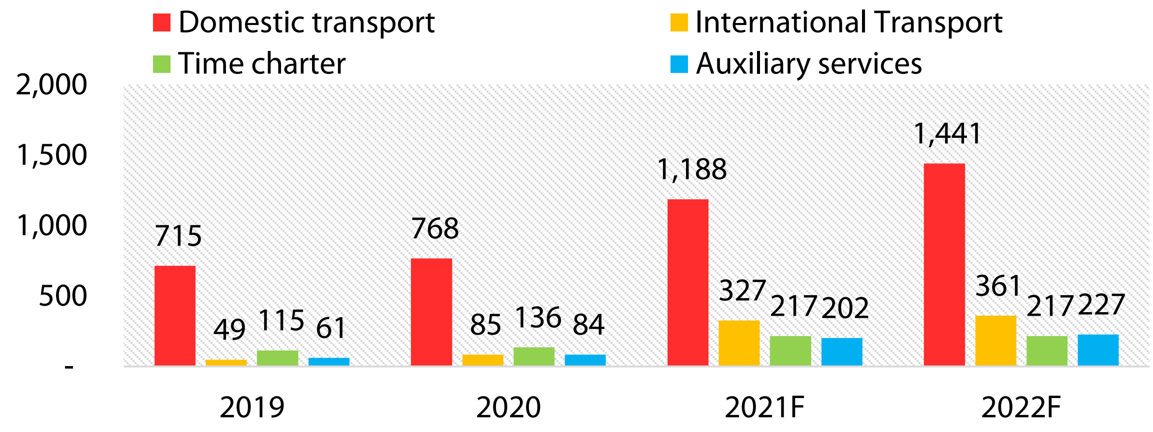
Figure 6: Breakdown of revenue



Source: HAH, Rong Viet Securities

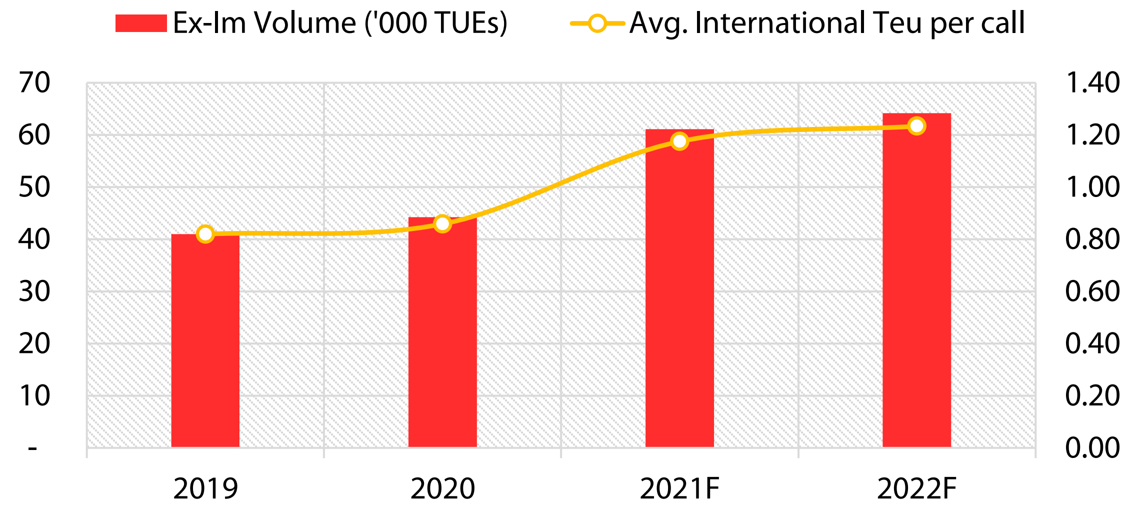
- **Projected NPAT to rise by 214% YoY/22% YoY in 2021F/22F** primarily driven by the container transportation segment with (1) a 72% YoY/ 13% YoY increase in container transported and (2) sustainedly high freight rates.
- **We expect HAH's port operation to be stable** as the port has reached its designed capacity and the unlikelihood of a new international shipping lines.
- **Other segment:** CFS and Depot services, which just began operation in 2020, will provide huge jump in 2021F from the last year's low base and interesting growth going forward thanks to more committed source of goods.

Figure 7: Breakdown of transport revenue (VND Bn)



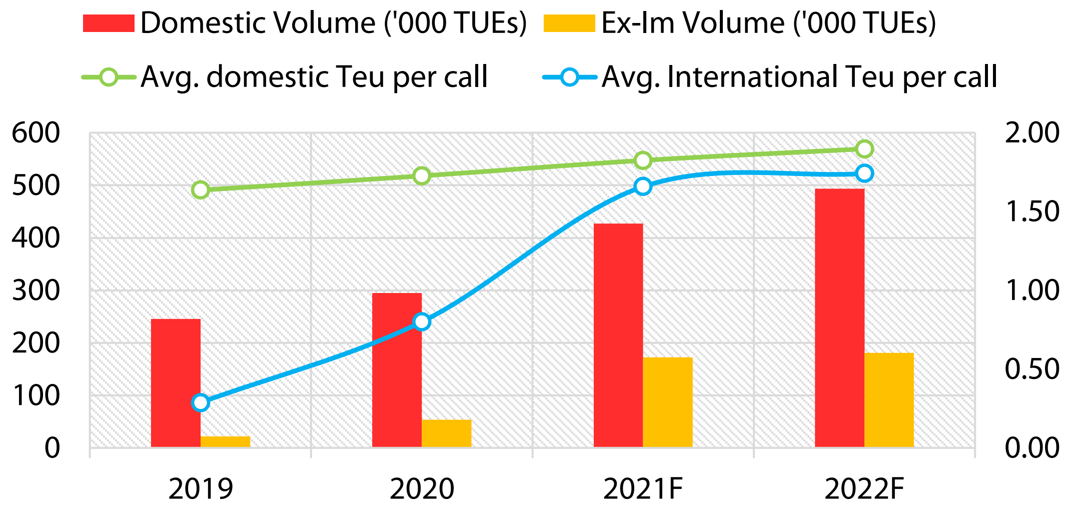
Source: HAH, Rong Viet Securities

Figure 8: Port Volume throughput forecast



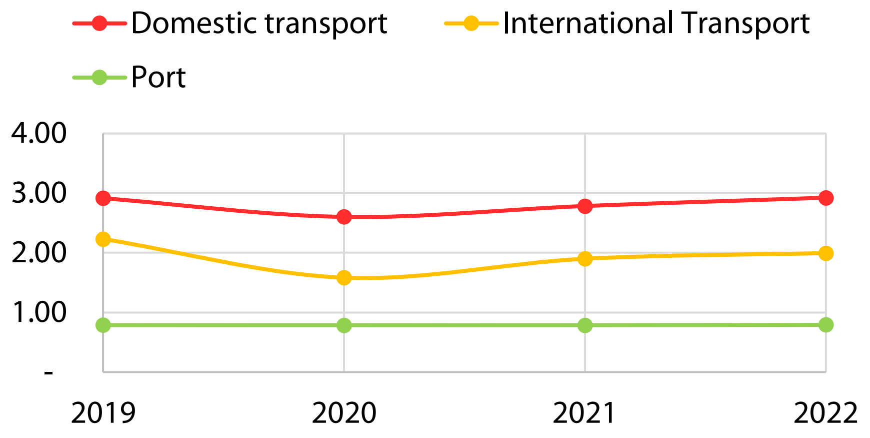
Source: HAH, Rong Viet Securities

Figure 9: Transported volume forecast



Source: HAH, Rong Viet Securities

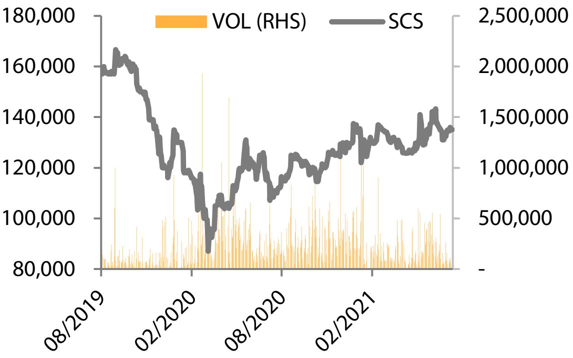
Figure 10: Avg. Price per TEU (VND mn)

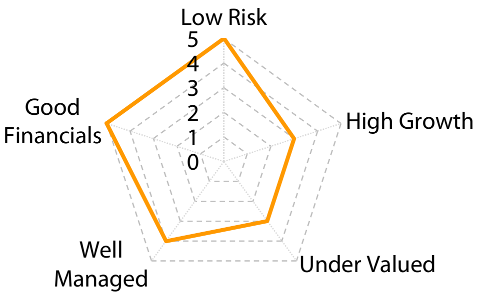


Source: HAH, RongViet Securities

A LOW-RISK INVESMENT IN AN UNCERTAIN TIME

<BUY: 21%> <MP: 135,100> <TP: 155,600>





STOCK INFO

Sector	
Market Cap (VND Bn)	6,896.3
Current Shares O/S (mn shares)	50.7
3M Avg. Volume (K)	23.8
3M Avg. Trading Value (VND Bn)	3.2
Remaining foreign room (%)	22.7
52-week range (VND)	108,400 - 143,300

FINANCIALS	2020A	2021F	2022F
Revenue	693	803	896
NPATMI	464	567	647
ROA (%)	42.4%	53.6%	52.9%
ROE (%)	45.7%	51.2%	50.7%
EPS (VND)	9,221	9,719	11,139
Book Value (VND)	20,016	21,837	25,126
Cash dividend (VND)	8,000	8,000	8,000
P/E (x) (*)	13.5	15.0	13.1
P/B (x) (*)	6.2	6.2	5.4

INVESTMENT RATIONALES

The favorable outlook of Vietnam trade flow and diverse cargo mix will underpin SCS's long-term international cargo. Trade activities will accelerate in the near future given the ongoing recovery of Vietnam's key trading partners following massive vaccines roll-out. In addition to that, we expect that a variety of FTAs that Vietnam has been a part of and the implementation of China +1 strategy from global manufacturers will be a booster for Vietnam trade flows.

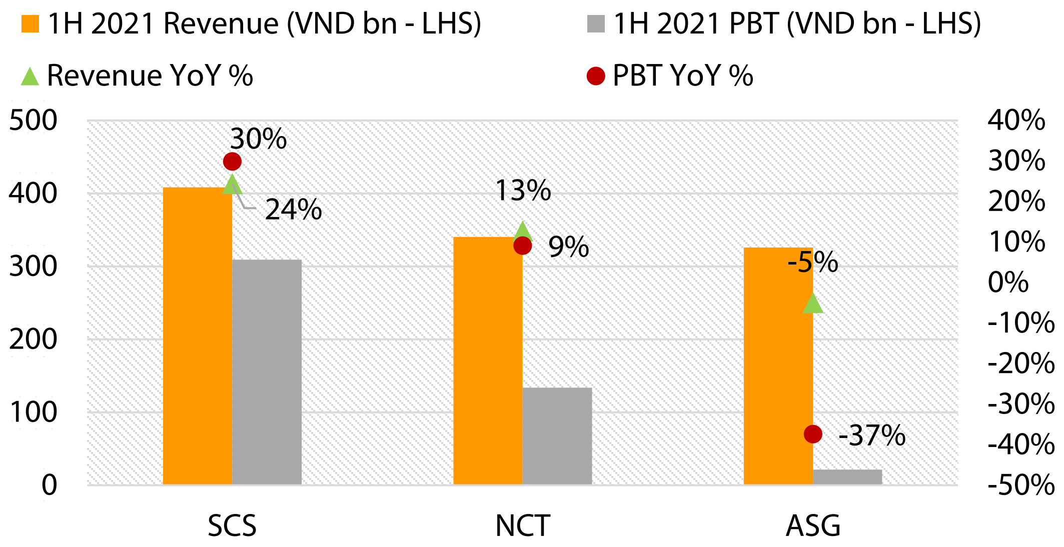
The surge in container shipping rates is making air transportation become relatively more attractive. Container shipping alliances have taken advantage of the global supply chain disruption (severe seaport congestion in China, global container shortage issues) to charge remarkably higher sea freight rates. Consequently, air cargo fare per kg as of June 2021, despite being 80% higher than pre-crisis values, have become relatively competitive to sea freight with only 5x higher than container shipping (vs historical average of around 10x). With the expected ongoing return of passenger aircraft belly capacity, air cargo fares are likely to further ease in the near future.

We project 2021F/22F net profit would grow by 22% YoY/14% YoY on the back of a 10% YoY/10% YoY of international cargo volume over the same period. Considering its position as one of the only two air cargo terminal operators in Tan Son Nhat International Airport, the unlikelihood of new market entrants and stable long-term earnings growth with a 5Y CAGR of 14% in 2020-25F, we believe the 2022F P/E ratio of 13.1x is compelling.

RISKS TO OUR CALL

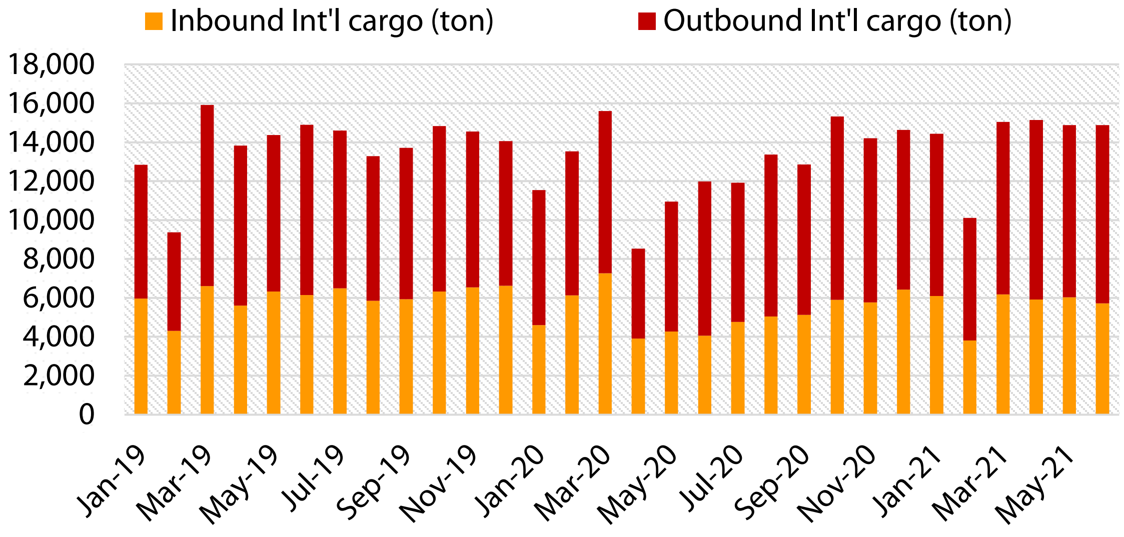
- Long-term risk includes the unsuccessful entry at Long Thanh International Airport – the prospective international hub for Southern Vietnam from 2025F onward.

Figure 1: 1H 2021 Results vs peers



Source: Companies filings, Rong Viet Securities

Figure 2: Monthly cargo volume quickly returned to pre-covid level

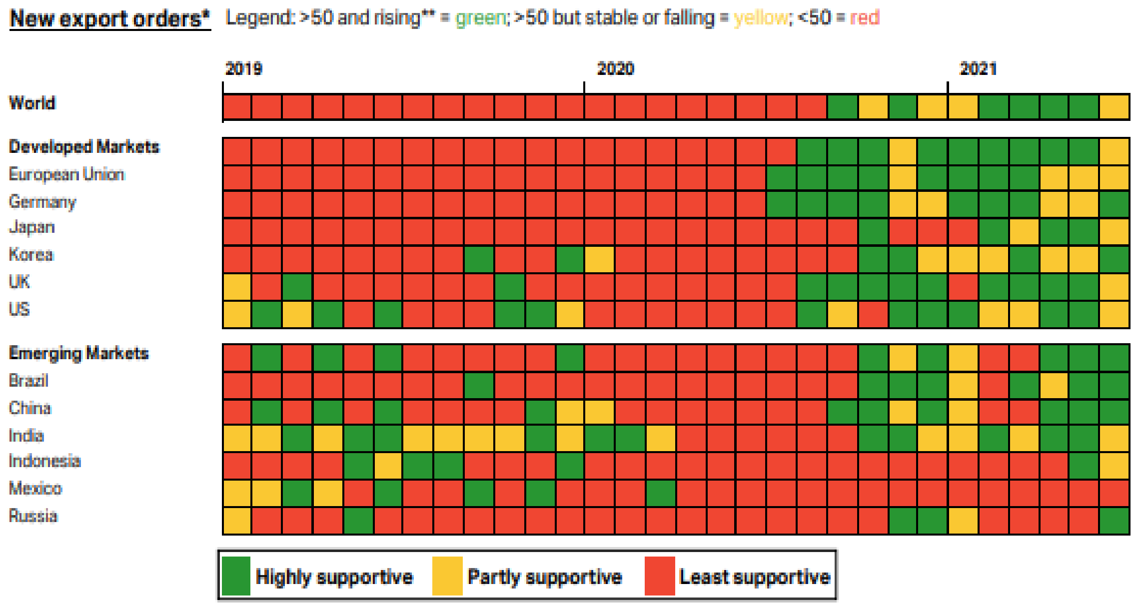


Source: SCS, Rong Viet Securities

SCS outperformed its peers in 6M 2021. SCS' international air cargo reached 84.4 thousand tons in 6M 2021, up 17% YoY and even 4% higher than 6M 2019. We believe this throughput volume is stronger than its counterpart in Northern Vietnam, NCT and ASG, given much higher revenue growth. Notably, SCS has seen its ASP increased by 3.5% YoY owing to the revised tariffs since early 2021.

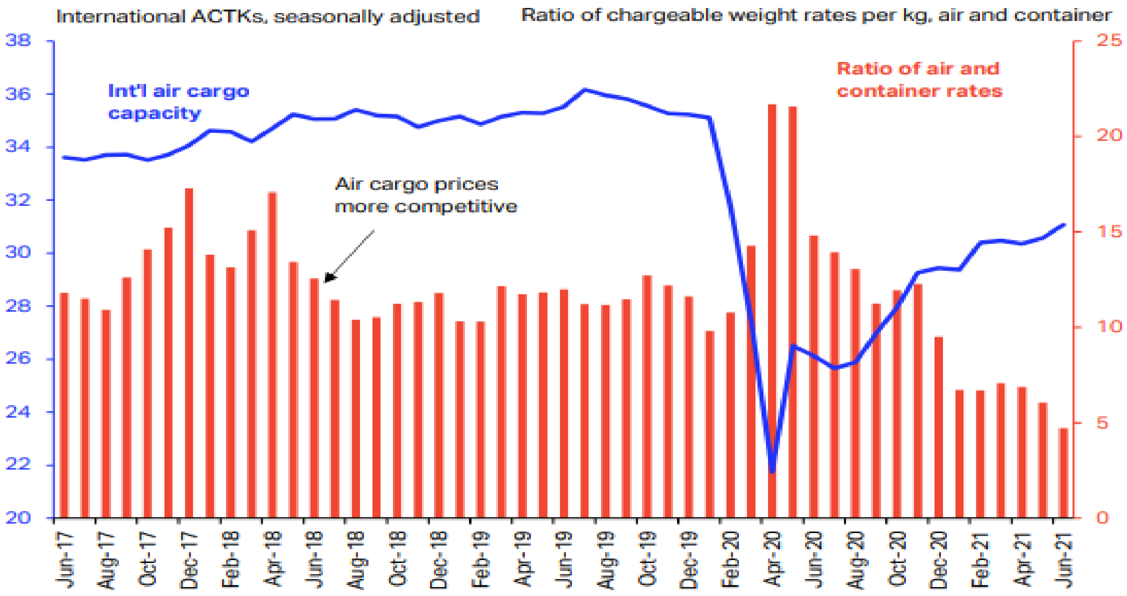
International cargo volume has stabilized at around 15 thousand tons per month on the back of favorable trade flow backdrop in the 1H 2021. In which, inbound and outbound cargo mix stayed at 40%/60%.

Figure 3: New export orders of global leading economies



Source: IATA, Markit, Refinitiv Datastream

Figure 4: Air cargo fares have become much more attractive in comparison to sea freight

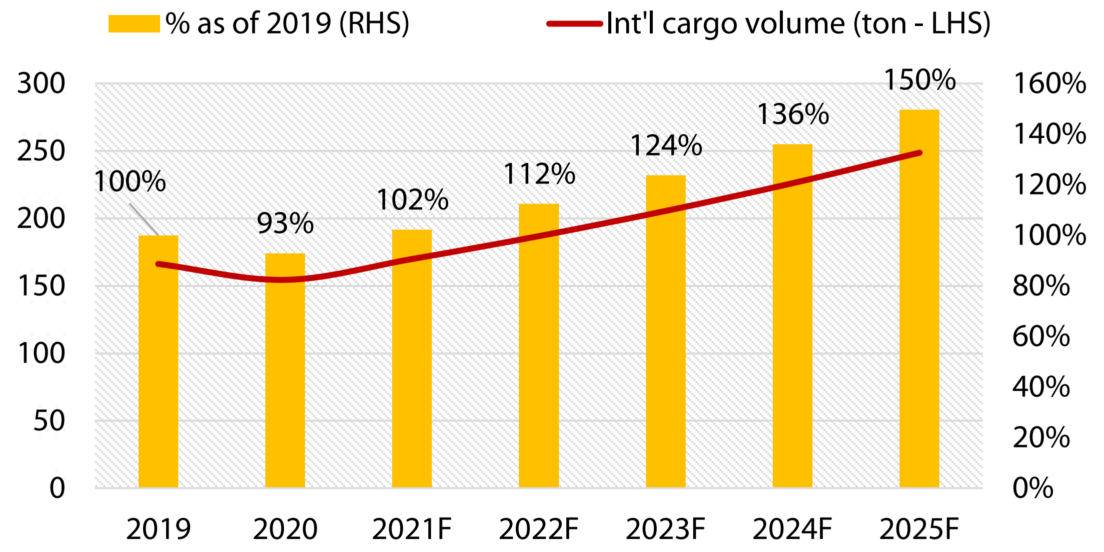


Source: : Boeing, IATA CargoIS, Freightos Baltic Index

PMIs point to a continued strong air cargo traffic growth. New export orders PMIs, which have strongly correlated with cargo ton km growth, are above the 50, consistently expanding on a month-on-month basis in most key markets.

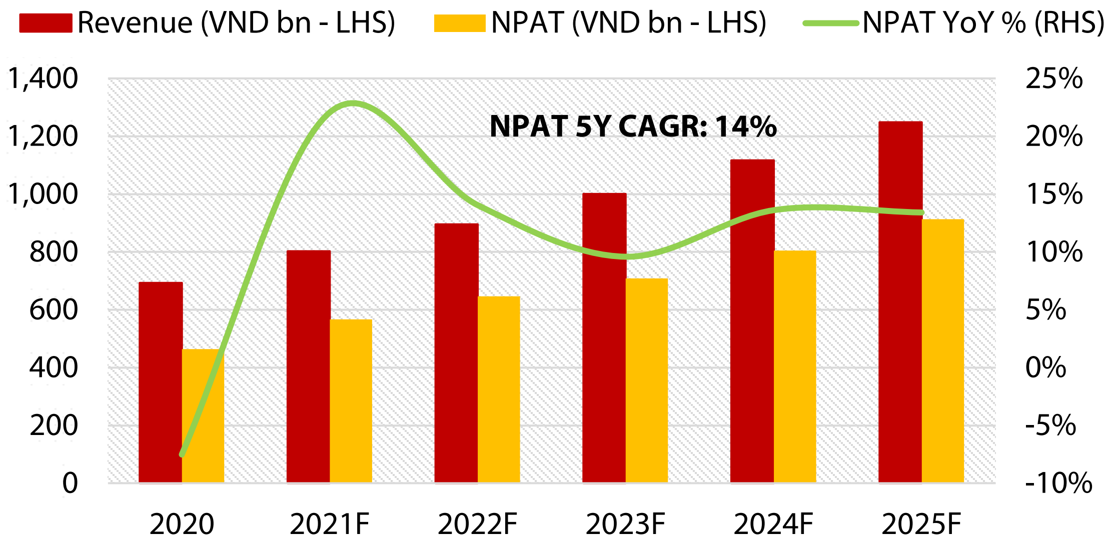
The ratio of air cargo fares versus container shipping rates continued to fall in June, cementing the competitive advantage of air cargo. Container shipping remains severely congested, this also means fares for container shipping have significantly increased. Consequently, air cargo fares – which were more than 80% higher than pre-crisis values in June 2021 – have become relatively lower. With the expected ongoing return of passenger aircraft belly capacity, air cargo fares are likely to further ease in the near future.

Figure 5: International cargo volume forecast



Source: SCS, Rong Viet Securities

Figure 6: Financial forecast



Source: : SCS, Rong Viet Securities

We expect the international cargo volume, the main profit source of SCS, to grow with a CAGR of 10% over 2021F-25F on the back of favorable trade flow supported by Vietnam's increasingly integrated in global supply chain and the resilient demand from Vietnam's key trading partners. On the back of that, we project that NPAT will enjoy a healthy CAGR of 14% over the same period.

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