



## Company Report: Hai An Transport and Stevedoring Jsc (HAH VN)

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# Freight rate and charter rate skyrocket

### Investment thesis

- Vietnam international trade benefit from the recovery of target market such as China, The US, Europe. Export and import and container throughput have been strongly raising regardless of new wave of Covid-19 outbreak in May;
- Sea container transportation industry is being in uptrend cycle, freight rate has surged due to high demand. Freight rate is climbing undisputedly to new high, more than 50% compared to May 2021. Container vessel price skyrockets second quarter, increase 3 times. Shortage of capacity not yet be solved in near future, which is expected to keep freight rate staying high level until 2022, according to the company;
- 2 new investments in Hai An West and Hai An East at attractive price, which help to improve capacity during shortage of supply; 2900 teus of container received in May buying at cheap cost in first quarter is boosting the income since empty container is heavily in shortage over the world;
- Stable income from port operation, thanks to HAH container fleet;
- In Q2 2021, HAH recorded consolidated revenue of 449 billion VND (+72% y-o-y), gross profit of 141 billion VND (+135% y-o-y), NPAT of 82.3 billion VND (+130% y-o-y);

### Risk

- Increasing oil price is the most important risk, which impact negatively on the earning.
- We believe that risk of disrupting domestic business activity if will ever be impacted by Covid-19 Pandemic outbreak would be eliminated, since HAH is able to lease their vessels internationally at very high charter rate, when other liners are hunger for additional tonnage.

### Recommendation:

After Q2/2021 result was announced, we raise target price to 55,100 VND per share to reflect the fact mentioned above.

Rating:

**Buy**  
Upgraded

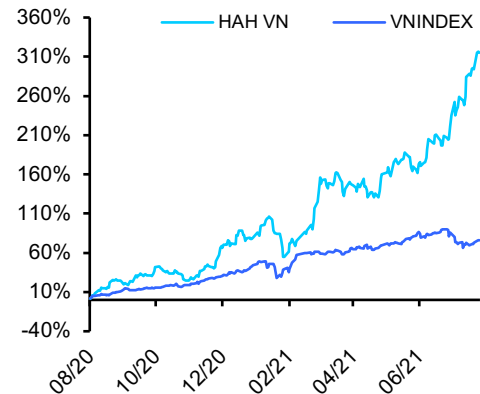
6-18m TP:

**VND60,100**

Share price:

VND47,200

### Stock performance



Change in Share Price	1 M	3 M	1 Y
Abs. %	204%	155%	321%
Rel. % to VNI index	89%	69%	76%
Avg. share price (VND)	38,387	31,806	28,272

Source: Bloomberg, Guotai Junan Vietnam

Year End	Revenue	Net Profit	EPS	EPS	PER	BPS	PBR	DPS	Yield	ROE
12/31	(VND Bil)	(VND Bil)	(VND)	(Δ%)	(x)	(VND)	(x)	(VND)	(%)	(%)
2017A	778	153	2,130	15.6%	4.21	19,278	0.9	1000	47%	22.1
2018A	1,054	159	1,729	-18.8%	5.06	19,603	0.7	1,000	58%	14.1
2019A	1,109	133	2,574	48.9%	4.2	20,413	0.5	1500	58%	12.2
2020A	1,192	146	2,912	13.1%	8.5	21,908	1.1	1000	34%	12.9
2021F	1,661	315	6,646	128.2%	7.1	27,700	1.5	1,500	23%	24.0

Shares in issue (m)	47,390	Major shareholder	Đầu tư và vận tải Hải Hà	11.4%
Market cap. (VND m)	2,092,390.1	Free float (%)		75.0
3 month average vol. ('000)	395.0	FY20 Net gearing (%)		71.0
52 Weeks high/low (VND)	9,800 / 47,200			

Source : the Company, Guotai Junan Vietnam.

In Q2 2021, HAH recorded consolidated revenue of 449 billion VND (+72% y-o-y), gross profit of 141 billion VND (+135% y-o-y), NPAT of 82.3 billion VND (+130% y-o-y), complete 94% annual NPAT plan. Sea container transportation shows strongly positive signal, higher demand for both domestic and international transportation. Container throughput was increased strongly. The growth was stronger than our expectation in the last report. 4 months cumulative total income was about 90 billion VND, which means that the NPAT of April alone was 23 billion VND, even higher than total NPAT of Q3 2020. The performance was even higher in May and June, which we estimate at 27 billion VND per months (+17% higher) regardless of Covid-19 pandemic outbreak in April, which was thought to be impact on the demand for transportation..

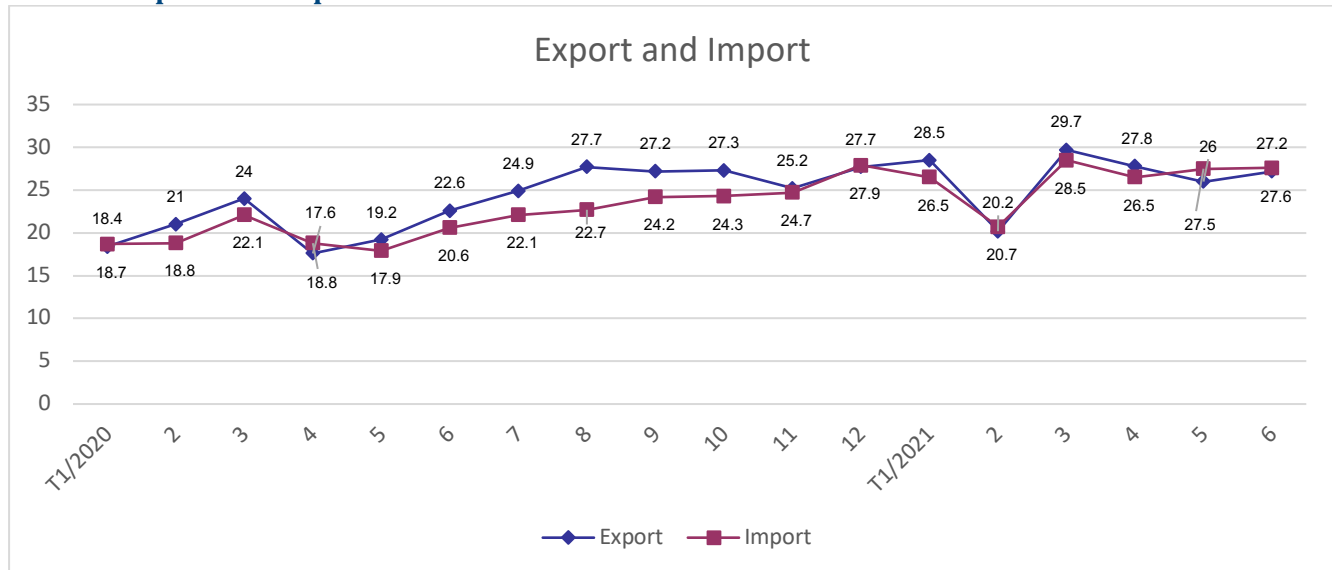
**Table-1: HAH’s plan and implement year to date**

	2019 (A)	2020 (P)	2020 (A)	2021 F	FH 2021
<b>Port (Teus)</b>	312,000	315,000	346,934	370,000	-
<b>Transportation (Teus)</b>	267,000	290,000	348,862	482,000	-
<b>Depot (Teus)</b>		140,000	83,669	120,000	-
<b>Total volume (Teus)</b>	579,000	745,000	779,465	972,000	-
<b>Revenue (bil VND)</b>		1,219	1,191	1,661	808
<b>NPAT (bil VND)</b>		85	138	157	149

Source: the Company, Guotai Junan (Vietnam)

**Strong growth in import and export.** According to Vietnam Custom, in June, export and import continue to raise strongly compared to last year figure regardless of Covid-19 pandemic outbreak in April. The export value in May and June reached \$26 billion and \$27.2 billion, import reached \$27.5 billion and \$27.6 billion, higher than last year and even Q1 figure.

**Chart-1: Export and import**

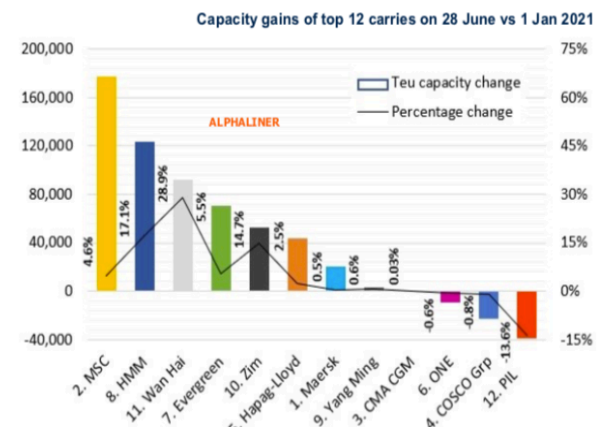


Source: Vietnam Custom; Unit: billion \$, Guotai Junan (Vietnam)

**Top liners are contending with others to add more and more tonnage to their fleets.**

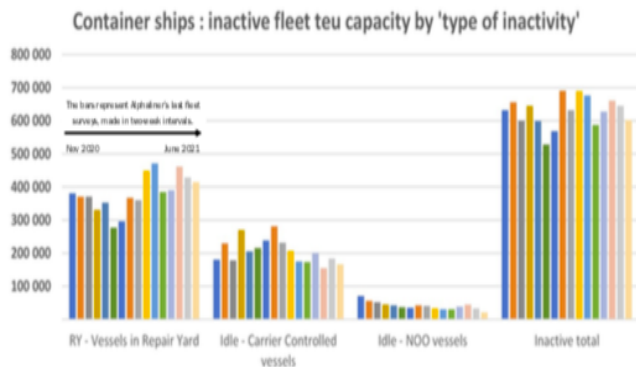
According to Alphaliner, sky-high rates pushed the operating margins of the major carriers to an all-time high in Q1. In these times of ship shortages and historically high revenues, liner operators have been fighting for extra tonnage to get the most out of the unprecedented liner shipping boom. More than 1 million teu of second hand tonnage changed hands in the first six months of 2021 as carriers rushed to capitalise on the market boom. The volume represents the largest teu amount ever bought and sold in a six month period, and suggests owners and carriers have confidence in continued strong demand for container shipping in the future.

**Chart-2: Liners capacity**



Source: Alphaliner, Guotai Junan (Vietnam)

**Chart-3: inactive container ships**

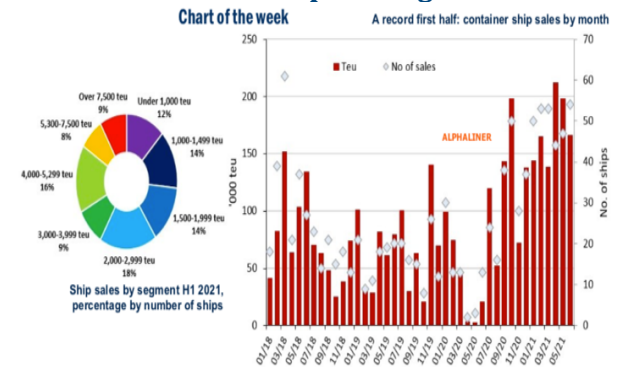


Nguồn: Alphaliner, Guotai Junan (Việt Nam)

As show in the chart, the inactive fleet stood at 163 ships for 601,300 teu in July 2021. It

accounted for 2.5% of the global fleet capacity. This reflect the hunger for new capacity across the world, facing booming demand.

**Chart-4: Container ship trading**

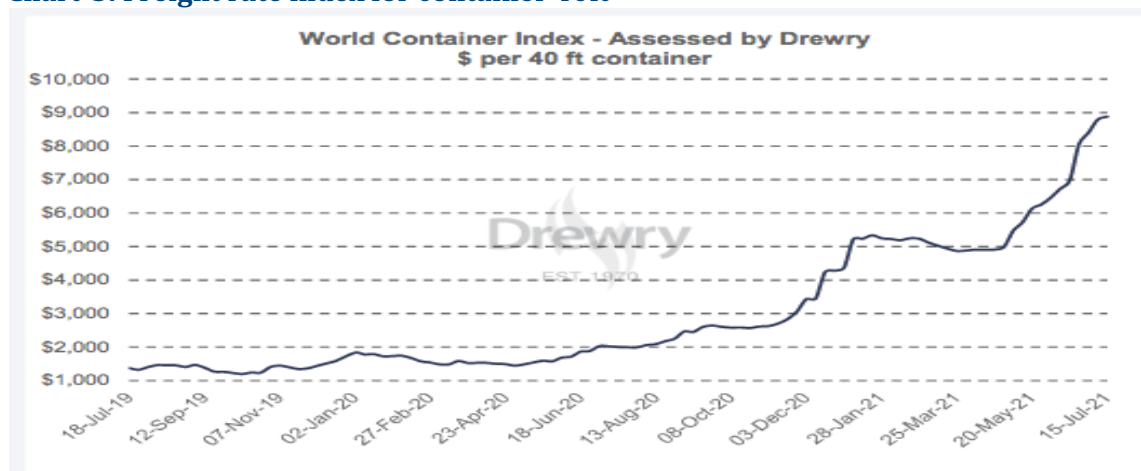


Source: Alphaliner, Guotai Junan (Vietnam)

**G Freight rate and container vessel charter rate skyrocket to new high in July.** The international container freight rate is still continuing uptrend due to the booming demand and serious shortage of empty container. In May 2021, HAH received 2,900 teus of new container, equivalent to 65 container 20DC and 445 container 40HC, which they ordered in early 2021 at reasonable price, which worth much higher value in the period of the booming demand for empty container. In September, HAH will receive 835 containers 20DC and 555 containers 450HC. HAH can provide for domestic customer or even lease their container to international market at high price. We think that HAH currently has absolute advantage in the transportation market with their plenty of empty containers.

Freight rate has been climbing new high without any correction in July, 50% higher than in May 2021 . Lack of transportation supply, freight rate is still anchoring at high level. Demand for addition carrying capacity is high and timeline of new vessel order is lengthen while steel price have raise high.

**Chart-5: Freight rate index for container 40ft**



Source: WCI, Guotai Junan (Vietnam)

The overall orderbook to fleet ratio has more than doubled from 9.4% a year ago to 19.9% at the end of first half. Since 2008, the order book to fleet ratio has been reducing significantly and scrapping of vessel has been high. This ratio bounced back in the end of 2020 and now nearly reaching the level of Global financial crisis and container transportation crisis in 2009, showing that the carrier is ordering more vessel for building, observing that the current and future demand is outstripped what they can serve. However, at least 2 years from now, these building vessels will be completed and delivered

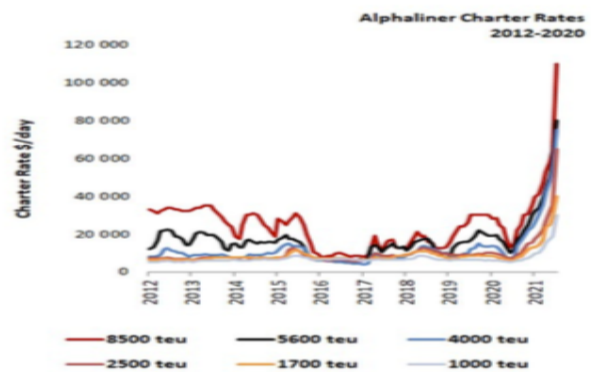
**Chart-6: Orderbook to fleet ratio**



Source: Alphaliner, Guotai Junan (Vietnam)

According to Alphaliner, hunger for addition capacity, the container charter market continues to rise with charter rates smashing new records across the board with nearly every new fixture. The supply of tonnage remains meanwhile critically tight. The charter rate for same size as HAH fleets, such as Haian Link and Haian East, reached \$34,000/day, highest appreciation among other sizes.

**Chart-7: Container ship charter rates**



Source: Alphaliner, Guotai Junan (Vietnam), Rate for 12 months charter

Daily Charter Rates by TEU Size	09 Mar \$/day	23 Mar \$/day	06 April \$/day	20 April \$/day	15 Jun \$/day	29 Jun \$/day	Growth from 09 March
8,500 teu	45,000	47,000	47,000	53,000	62,000	70,000	56%
5,600 teu	37,000	40,000	40,000	44,000	56,000	62,000	68%
4,000 teu (Panamax)	33,000	38,000	38,000	42,000	53,000	57,000	73%
2,500 teu	20,000	25,000	25,000	27,000	36,000	37,000	85%
1,700 teu	16,000	17,500	19,000	23,500	27,000	34,000	113%
1,000 teu	11,000	12,500	14,000	15,500	18,000	19,000	73%

Source: Alphaliner, Guotai Junan (VietNam), Rate for 12 months charter

The higher charter rate also impacts positively on price of container vessels, too. The vessel, which is similar size to Hai An West and East, which were purchased at about \$8 million in April, now are pricing triple in the market, reach \$22 million. We estimate that the assets value on balance sheet of HAH must worth at least **doubles** the book value or 2,300 billion VND (\$100 million) not including 31 ha logistic land in Cai Mep, Haian Port, PanHaian, thanks to higher value of their fleet of 8 container vessels.

At this current market, we think that HAH is difficult to purchase 1 more vessel due to the high price, however, if they can fix a charter contract whose the rate is high enough, it is still possible option. we estimate that leasing business is took about 1.5 to 2 year for returning the capital investment with current vessel price and charter rate. In addition, HAH has followed flexible strategy in transportation business since they started in 2015, which has remained **dual registration (domestic and international) for their fleet**. This is important factor, which bring flexibility for business activity. The current high charter rate also reduces the risk for HAH business activity if domestic market is overcapacity and inversely impacted.

**Table-2: Recent container ship sales in Q2 2021**



**Significant ship sales in Q2 2021**

Vessel name	Teu	Built	Buyer	Date	Price (USD M)
SINAR BIMA	1,118	2008	Sinokor	Jun-21	12+
MCC KYOTO	1,713	2008	CMA CGM	Jul-21	21.5
NORDBALTIC	2,478	2003	MSC	Jun-21	22.0
SPRING MAS	2,601	2002	MSC	Jun-21	29.0
NASIA	2,824	2005	MSC	Jun-21	36.0
SPHENE	3,388	2007	n.a.	Jun-21	37.0
HAWK HUNTER	4,255	2009	n.a.	Jun-21	46.0
MEXICO	4,992	2002	MSC	Jun-21	50.5
CORNELIA I	5,086	2010	MSC	Jun-21	42.0
ADONIS	9,288	2015	MSC	Apr-21	100.0
CAPITAL N/b	13,000	2022	Wan Hai Lines	May-21	111.4

Source: Alphaliner, Guotai Junan (Vietnam),

We think in Q3, HAH will adjust upward the charter rate for Hai An Link, Hai An East to catch up with the market price, which is already unprecedently high. Moreover, in order to earn more income for reinvestment in the fleets and develop logistic supply chain, we think in the current situation, since Covid-19 pandemic outbreak is complicated to control, HAH would lease one more vessel, beside Hai An Link and Hai An East. At this current rate, we think that it is best option because it only need 1 to 1.5 year to return as the Hai An West's investment. We estimate that HAH would earn in total of 47 bil VND to 55 bil VND/per quarter from **leasing activity** in Q3 and Q4, increase 3 fold to Q2 2021.

With this highly stable income, HAH is exempt from risk of shrinkage in domestic business if it will ever happens.

**Table-3: Hai An container fleet**

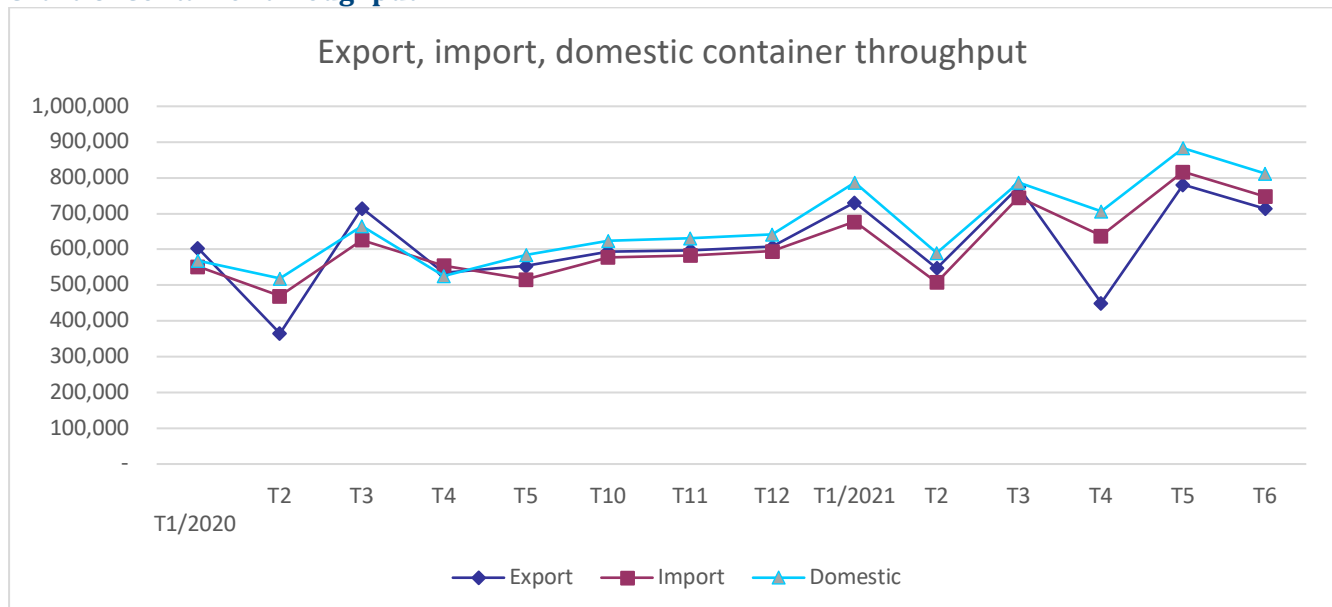
Vessel	Teus capacity	Age
Hai An Mind	1,794	8
Hai An Bell	1,200	17
Hai An Link	1,060	10
Hai An Park	787	20
Hai An Time	1,032	19
Hai An View	1,708	11
<b>Hai An West</b>	<b>1,740</b>	<b>13</b>
<b>Hai An East</b>	<b>1,702</b>	<b>12</b>
<b>Total</b>	<b>11,023</b>	

Source: the Company, Guotai Junan (Vietnam),

**Growing Container throughput**

The container throughput in April, May and June are positive, keeping strong upward trend as first quarter, according to Vinamarine. The container transportation enjoys high growth and the container loading rate on the vessel is high compared to last year, less impacted by new wave of Covid-19 outbreak in April. The evidence is the performance in May and June were really strong compared to April..

**Chart-8: Container throughput**



Source: Vietnam Cusomt, Guotai Junan (Vietnam),

Container throughput by export, import and domestic have been raising in first half (+19% YoY, +30% YoY, +32% YoY respectively), even Q2 figure is 10% higher than Q1 figure, and that is the main reason why logistic industry, especially container transportation and port, benefit from this increasing volume. HAH

benefit from the high demand and skyrocket freight rate since their fleets are operating in both domestic and intra-Southeast Asia route. Domestic freight rate although increase YoY but not as high as international freight rates.

**Table-4: Domestic container freight rates**

Domestic freight rate	Feb-21	June-21	Growth
HPH-HCMC 20'	6,900,000	7,000,000	1%
HPH-HCMC 40'	7,900,000	8,300,000	5%
HCMC- HP 20'	2,000,000	3,000,000	50%
HCMC - HP 40'	4,700,000	6,000,000	28%

Source: Guotai Junan (Vietnam),

**Valuation and Recommendation.** Q2 result was stronger than our expectation in the last report regardless of Covid-19 outbreak impacted on industrial zone. We estimate that HAH would achieve NPAT of 300 -320 billion VND for 2021, 20% higher than the figure we estimated before in the last report. The reasons are: **(1)** Container charter rate skyrocket to new high than ever, which bring huge profit for vessel owner; **(2)** strong raising in container vessel price, which triple HAH's fleet value and 2.5 times HAH adjusted book value ; **(3)** shortage of capacity not yet be solved in near future, which is expect to keep freight rate staying high level; **(4)** Vietnam international trade benefit from the recovery of target market such as China, The U.S, Europe... **(5)** owning large number of empty container which is high demand in the market; **(6)** eliminate risk of shrinkage in domestic business activity if will ever impact by Covid-19 Pandemic outbreak by leasing the vessel internationally. We raise HAH' target price to about **60,100 VND/share**, 71% higher than previous target price 35,100VND/share on 24 May 2021. We remain **BUY** recommendation for HAH stock.

## Financial Statements and Ratios

Income Statement					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	2021F
Revenue	778	1,054	1,109	1,192	1,661
yoy(%)	59.5%	35.5%	5.2%	7.5%	39.3%
Cost of services	(574)	(835)	(890)	(952)	(1213)
Gross profit	204	219	219	240	448
yoy(%)	22.1%	7.7%	-0.1%	9.6%	86.9%
SGA expenses	(45)	(61)	(67)	(68)	(83)
Other (losses) / gains, net	0	23	3	0	0
Financial income	21	17	18	23	33
Finance costs	(6)	(10)	(17)	(25)	(28)
Share of profits of associates and JCEs	4	2	3	6	20
Profit before income tax	173	188	156	170	371
yoy(%)	16.10%	8.83%	16.95%	8.97%	117.97%
Income tax expense	(20)	(29)	(23)	(24)	(56)
Profit after tax	153	159	133	146	315
yoy(%)	14.0%	4.1%	-16.3%	9.8%	115.7%
Minority interest	(5)	(24)	(11)	(8)	0
Net profit	147	135	122	138	315
yoy(%)	10.1%	-8.2%	-9.7%	13.1%	128.2%
EPS(VND)	2,130	1,729	2,574	2,912	6,646
yoy(%)	15.6%	18.8%	48.9%	13.1%	128.2%

Cash Flow Statement					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	2021F
Profit before income tax	147	135	122	138	315
Adjustments	96	122	154	181	243
change in WC	(197)	(275)	(92)	(42)	(39)
Cash from operations	46	(18)	184	277	519
Capital expenditure	(290)	(315)	(198)	(349)	(381)
Cash from investing	(280)	(132)	(220)	(383)	(389)
Common stock (purchase) or sale	0	0	0	0	0
Other	214	288	79	132	(111)
Cash from financing	180	254	7	85	(182)
Cash & cash equivalents at 1st January	222	167	272	243	221
Net change in cash	(54)	105	(29)	(22)	(53)
Cash & cash equivalents at 31st December	167	272	243	221	168

Source: the Company, Guotai Junan (Vietnam).

Balance Sheet					
Year end Dec (VND bil)	2017A	2018A	2019A	2020A	2021F
Current assets	367	588	665	695	635
Cash & equivalents	167	272	243	221	187
Short term investment	0	14	52	80	88
Receivable	128	218	267	308	255
Inventory	39	35	53	46	55
Non-current assets	942	1068	1163	1400	1607
Property plant & equipment	750	806	850	1075	1220
Intangible assets	3	6	4	3	3
Work in progress	13	4	12	1	1
Prepayment and other receivables	134	208	252	250	328
Investment in an associated co.	28	32	34	40	40
Other investment	10	10	10	10	10
Total assets	1309	1656	1828	2095	2242
Current liabilities	280	247	284	318	302
Account payable	93	80	100	85	108
Short-term borrowing	78	77	84	111	70
Non-current liabilities	193	190	287	438	351
Long-term borrowings	143	165	237	348	278
Total liabilities	473	436	571	757	654
Minority interest	171	262	259	267	275
Share capital	345	488	488	488	488
Other reserves and retained earnings	619	655	730	825	942
Total equity	665	956	996	1069	1313
yoy (%)	17.5%	43.8%	4.1%	7.3%	22.8%

Financial Ratio					
	2017A	2018A	2019A	2020A	2021F
Gross margin (%)	26	21	20	20	27
Operating margin (%)	11.2	11.2	11.2	11.2	11.2
Net margin (%)	18.9	12.8	11.0	11.6	19.0
ROA (%)	11.3	8.2	6.7	6.6	14.1
ROE (%)	22.1	14.1	12.2	12.9	24.0
Net gearing ratio (%)	33.3	25.3	32.2	43.0	26.5
Current ratio(x)	1.3	2.4	2.3	2.2	2.1

**COMPANY RATING DEFINITION**

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

<b>Rating</b>	<b>Definition</b>
<b>Buy</b>	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
<b>Accumulate</b>	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
<b>Reduce</b>	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
<b>Sell</b>	Relative Performance is lower than - 15% Or the Fundamental outlook of the company or sector is unfavorable

**SECTOR RATING DEFINITION**

Benchmark: VN – Index

Time Horizon: 6 to 18 months

<b>Rating</b>	<b>Definition</b>
<b>Outperform</b>	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
<b>Neutral</b>	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
<b>Underperform</b>	Relative Performance is lower than -5% Or The Fundamental outlook of the sector is unfavorable

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